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Banking Enquiry Committee

for the

Centrally Administered Areas

1929-30

Volume I

REPORT



CALCUTTA: GOVERNMENT OF INDIA
CENTRAL PUBLICATION BRANCH
1930

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Banking Enquiry Committee for the Centrally Administered Areas

1929-30

Volume I

REPORT

CHAPTER I.

INTRODUCTORY.

1. Like all other Provincial Banking Enquiry Committees, the Central Areas Banking Enquiry Committee was appointed in accordance with the general plan of enquiry into banking conditions in India set forth in the Government of India, Finance Department letter, No. F-2 (III) F/29, dated the 3rd April 1929, to the Provincial Governments. The subjects specially assigned to the Provincial Committees were (a) agricultural credit, (b) special study of co-operative banks and co-operative marketing societies, (c) special study of indigenous banking, and (d) investment habit and attraction of capital. They were further required to conduct intensive surveys of one or two selected districts and a general examination of the credit conditions in their respective provinces as a whole in regard to agriculture and small industries. It was left to the Provincial Committees to settle the details of their enquiries, but with a view to facilitate eventual co-ordination of results for the whole of India, the main heads under which the information and the material collected by the Committees were to be classified were laid down by the Finance Department for the guidance of the Provincial Committees. The Central Committee was asked to consider the allocation of subjects in consultation with the Hon'ble the Finance Member in order further to define and elaborate them if

necessary, and accordingly that Committee, with an eye to uniformity of procedure, drew up a standard questionnaire for issue by Provincial Committees which the latter were left free to amplify, with due regard to any special provincial or local features. In effect this standard questionnaire embodies the terms of reference of Provincial Committees in full detail.

2. The personnel of our Committee was announced by the Government of India on the 12th September 1929. It

Appointment. consisted of:—

Khan Bahadur Diwan Abdul Hamid, C.I.E., O.B.E., Chief Minister to His Highness the Maharaja of Kapurthala . . .	Chairman.
The Hon'ble Major Nawab Mohamad Akbar Khan, C.I.E., Khan of Hoti	Representative of Agriculture.
Professor H. L. Chablani, Head of the Economics Department, Delhi University	Indian Economist.
Mr. V. F. Gray, M.L.C., of Messrs. R. J. Wood & Co., Delhi . . .	Representative of Commerce.
Lala Bal Kishen, Assistant Registrar, Co-operative Societies, Gurgaon and Delhi	Co-operative Expert.
Rai Sahib Kanwar Moti Lal, Beawar	Indigenous Banker.
Mr. V. S. Marballi	Secretary.

The following gentlemen were nominated as co-opted members to assist the Committee with their local knowledge and experience:—

Khan Bahadur Haji Karam Ilahi Sethi, co-opted member for the North-West Frontier Province	} Representatives of Commerce.
Seth Vithal Dass Rathi, co-opted member for Ajmer-Merwara . . .	
Lala Shri Ram, co-opted member for Delhi	

3. The Committee first assembled in Simla on the 22nd September 1929, when the standard questionnaire prescribed by the Indian Central Banking Enquiry Committee was discussed. Preliminary meetings. The second meeting was held at Simla on the 27th September 1929, at which the Hon'ble the Finance Member, who was accompanied by Sir Purshotamdas Thakurdas, acting Chairman of the Indian Central Banking Enquiry Committee, was kind enough to explain the broad outlines of the enquiry on which the Committee was embarking.

4. The Committee then proceeded to amplify the standard questionnaire, and issued it on the 4th October 1929 in the form printed as Appendix 2 (a) Questionnaire, etc. to this Report. The questionnaire was translated in Urdu and Hindi and not only the Local Administrations were supplied with copies for distribution but also a large number of copies were distributed by the Committee's office direct. The written replies were called for by the 31st October 1929 but this time-limit was extended, to the 10th November 1929 in the case of the North-West Frontier Province, and to the 30th November 1929 in the case of other Areas, but replies continued to be received even much after these dates. A statement showing the number of copies distributed in the Centrally Administered Areas, the number of written replies received and the number of officials and non-officials examined has been appended to this report—(Appendix 1 a). In all we received replies from 90 persons, of whom 36 gave oral evidence in the course of our public sittings. We also issued special questionnaire for central co-operative banks, post offices and judicial officers and lawyers which are all printed in the appendices to this Report.

5. The Centrally Administered Areas are the North-West Frontier Province, and the Province of Delhi, Ajmer-Merwara, Baluchistan, the Andaman and Nicobar Islands and Coorg. For the purpose of banking enquiry, Coorg was detached from the other Central Areas and was included within the purview of the Madras Provincial Banking Enquiry Committee.

The Chief Commissioner of the Andaman and Nicobar Islands, in his letter No. 1862, dated the 10th June 1929, addressed to the Secretary to the Government of India, Finance Department.

ment, on the subject of this enquiry, indicated the need of a bank in the Islands and suggested that this Committee might examine the question. Copies of our questionnaire were duly sent to the Administration for distribution, and the Chief Commissioner, in his telegram, dated the 6th January 1930, offered to give evidence before the Committee in Delhi or in the alternative to furnish a memorandum. As his dates in Delhi were more or less uncertain, he was informed that a memorandum would serve our purpose. But no further communication was received from the Administration, nor have any replies to our questionnaire been forthcoming.

As regards Baluchistan, the Agent to the Governor General in Baluchistan in his letter No. 3115/R, dated the 14th June 1929, to the Secretary to the Government of India, Finance Department, stated that no useful purpose would be served by the inclusion of Baluchistan within the scope of our enquiry. We, however, sent copies of our questionnaire to that Administration for distribution, explaining that our terms of reference included a much wider field than banking in the technical sense, and expressed our readiness to depute a sub-committee for conducting enquiries on the spot, if necessary. We also distributed copies of the questionnaire to several indigenous banking firms having business relations in that province. The local Administration, in reply, adhered to its original view that the province offered no scope for our investigation and our questionnaire was not likely to elicit information of any value. In these circumstances there was no question of extending our enquiry to Baluchistan; we reported accordingly to the Government of India in our letter No. 387, dated the 20th November 1929. This report, therefore, deals with conditions in the three remaining Areas, *viz.*, the North-West Frontier Province, Ajmer-Merwara, and Delhi.

6. The office of the Committee moved from Simla to Delhi on the 15th October 1929, for the winter. Public sittings for the examination of witnesses were held in Peshawar from the 16th to the 20th November 1929, in Ajmer from the 10th to the 12th and on the 14th December 1929, in Beawar on the 13th December 1929, and in Delhi from the 13th February to the 1st of March 1930. Meetings were held in

Delhi from the 16th to the 24th April 1930; at which the evidence was discussed and the main recommendations were settled finally. The Committee's office moved up to Simla on the 28th April 1930, and the Committee held their final sittings at Simla between the 9th and the 21st June 1930, when the report was discussed and adopted.

7. The total cost of the enquiry will be about
 Cost of Enquiry. Rs. 75,000.

8. Besides the evidence recorded during our public sittings, agents of joint-stock banks, indigenous bankers, money-lenders, zamindars, traders, etc., were interviewed by members of the Committee, particularly by Mr. Chablani. Notes of these interviews have been printed in the volumes of evidence.

Work done.

We were asked by the Government of India to make intensive surveys of one or two selected portions of each province and by the Central Committee to make as accurate an estimate of the rural indebtedness as was possible within the time limit fixed. In consultation with the Local Governments, we selected for the purpose of intensive enquiry into economic conditions, particularly those which had a direct bearing on our terms of reference, 16 villages in the North-West Frontier Province, 12 villages in Delhi, and 20 villages in Ajmer-Merwara. Moreover, we carried out a general survey of rural indebtedness in the whole of the Province of Delhi and Ajmer-Merwara with the exception of the Istimrari villages in the latter. No general survey was undertaken in the North-West Frontier Province as the local administration deprecated it on the ground that it was likely to cause misunderstanding and excitement among the general population. For the purpose of these surveys, we issued three forms,* A, B and C. All the three forms were to be filled up for each of the villages selected for intensive survey, while the extensive survey of indebtedness was covered by forms B and C. These were distributed to the village officers through the local administrations along with detailed instructions for filling them up, issued by the Indian Economist on our Committee. The forms were also explained verbally to the

General and intensive surveys.

* Not published.

revenue staff by members of the Committee during the course of their visits to a few of the selected villages in each province and to the checking officers, whose services were placed at the disposal of the Committee by the local administrations, during the course of their personal discussion with the Indian Economist from time to time.

9. Our work lay in three scattered areas, each under a separate administration; and the conditions in each area

Difficulties, etc. necessarily called for separate examination. No systematic surveys of economic conditions appear to have been held in these areas in the past. With the solitary exception of the District of Peshawar in the North-West Frontier Province, nowhere have settlements taken place recently. The forms relating to the general and intensive surveys took a long time to complete and the time limit we had laid down could not be observed by the local officials concerned, partly owing to the rather intricate nature of the work and partly owing to their other equally important local pre-occupations. Some of the forms were received as late as the 17th May 1930. The statistics relating to joint stock banks that we have been able to collect are rather meagre, the reason being that practically all the banks operating in these areas have their head-offices in other provinces and very few of them were willing to supply any information which might disclose the nature and volume of the local business. Statistical information on many other important points was also very difficult to get. The annual departmental reports in the Centrally Administered Areas do not publish the statistics which are readily available for major provinces. Even some of the all-India reports furnish no separate figures for each of the Centrally Administered Areas. The head-quarters of some of the Government Departments working in the provinces are in some cases outside their territorial limits; and even when the required information was available, considerable time had to be spent in correspondence with all the officials concerned, to procure it.

10. Before concluding this chapter we desire to place on record our grateful acknowledgment of the facilities we

Acknowledgments. were ungrudgingly afforded by the Local Administrations in the prosecution of our enquiry. In particular, we owe cordial thanks to the Heads of the Revenue Departments in these Areas,

their Revenue Assistants and the subordinate revenue agency, for carrying out the general and intensive surveys. We are also indebted to those officials and non-officials who have given us the benefit of their experience and knowledge of local conditions by furnishing memoranda in response to our questionnaire or by appearing as witnesses before us or by supplying such information as was called for.

To Mr. V. K. Arvamudha Ayangar, C.I.E., Secretary of the Indian Central Banking Enquiry Committee, we owe special thanks for the help he has given us in the course of our enquiry. His presence at our meetings in Peshawar and Delhi was of great value to the Committee. Our thanks are also due to Nawab Sir Sahibzada Abdul Qaiyum, K.C.I.E., M.L.A., a member of the Indian Central Banking Enquiry Committee, for attending, by invitation of the Chairman, some meetings of our Committee at Peshawar.

The Committee desires to record its cordial appreciation of the valuable assistance which was extended to it by the co-opted members, particularly by Lala Shri Ram, the co-opted member for Delhi.

The Chairman, while thanking all his colleagues for the interest and zeal they displayed in the course of the enquiry and for the spirit of co-operation and harmony which characterised the proceedings of the Committee, wishes to acknowledge with thanks the assistance he has received from Mr. H. L. Chablani, the Indian Economist on the Committee, who has brought his remarkable ability, technical knowledge and industry to bear on the completion of the Committee's onerous task. The brunt of the work fell to his lot and the Chairman has no hesitation in testifying to his ungrudging labour on behalf of the Committee and the success with which he has acquitted himself of it. A word of praise is due to the Secretary, Mr. V. S. Marballi, who has carried out his duties efficiently and to the complete satisfaction of the Committee. Finally, the hard work the office staff, headed by Kanwar Sardar Singh, Superintendent, has put in is also highly commendable.

CHAPTER II.

SPECIAL FEATURES OF THE AREAS.

11. The districts of Peshawar, Hazara, Kohat, Bannu and Dera Ismail Khan formed part of the province of the Punjab until 1901 when they were constituted into a separate administrative unit called the North-West Frontier Province under a Chief Commissioner.

General description—
(a) North-West Frontier Province.

The total area of this province is 13,419 square miles. The Chief Commissioner, as Agent to the Governor General, exercises political control over the transborder tribal territory covering an area of 25,500 square miles. Of the five settled districts, Hazara is, for the most part, a hilly tract with a fertile plain towards the south. Peshawar and Bannu are fertile plains encircled by hills and are well irrigated and highly cultivated. Kohat is a rugged tableland broken by low ranges of hills, its valleys are fertile, but the soil is thin and poor in the hills. Dera Ismail Khan is for the most part a barren desert and depends for irrigation on torrents flowing from the eastern slopes of the Sulaiman Mountains during the rainy season.

With the constitution of Delhi as the capital of India, the Delhi Tehsil, with the Maharauli Thana of the Ballabgarh Tehsil of the old Delhi District, was formed into an Imperial Enclave in 1912 under the administrative control of a Chief Commissioner. In 1915 the Shahdara tract, comprising 46 villages on the east bank of the river Jumna, was transferred to Delhi Province from the Meerut District. The Jumna intersects the Province from north to south, and between it and the line of low hills on the west stretching southwards from the present city, are situated the ruins of the six ancient cities of Delhi interspersed with many old and historic monuments. The area of the province is 582 square miles and the number of villages is 363 of which 295 are occupied villages. The banks of the Jumna river are low and the river generally shifts its course in its wide bed. The western part of the province is occupied by the Najafgarh *jhil* (lake), a vast depression which collects water from the drainage of the canal tracts and the flow from the western slope of the Delhi hills. The rest of the country consists of a sparsely wooded fertile upland plain.

(b) Delhi.

The Province of Ajmer-Merwara occupies the centre of the group of Indian States, known collectively as Rajputana. Ajmer was ceded to the British

(c) Ajmer-Merwara. by the Sindhia of the time at the close of the Pindari War in 1818 and was administered separately till 1832 when it was transferred to the then North-Western Provinces, of which it remained a part until its formation into a separate province in 1871 with the district of Merwara added to it. Merwara came under British influence in 1818 when it was an impenetrable jungle inhabited by outlaws and fugitives from the neighbouring States into which it forms a wedge. It was made up of three portions, British, Marwar and Mewar, but the people who lived by plunder and rapine acknowledged no authority except that of superior force. This intolerable state of affairs could not continue indefinitely, and with a view to put an end to it, the British Government took over in 1824 the portions belonging to Mewar and Marwar by entering into engagements with those States. These treaties were renewed from time to time and the tract is, to all intents and purposes, British territory. It remained a separate administrative unit till 1842, since when it began to be administered conjointly with Ajmer. Both, however, remained as separate districts till 1914 when they were amalgamated into one province.

The area of the province is 2,711 square miles and is divided into three *tehsils*, Ajmer, Beawar and Todgarh. Ajmer is an open plain, sandy in parts and studded with hills while the other two *tehsils* are mostly hilly. The soil is generally shallow and is composed of a natural mixture of stiff yellow loam and sand. Alluvial soil is found only in the beds of tanks, and clay is rare.

12. The table below shows the total area cultivated and the area under irrigation in the three provinces in

Cultivation and Irrigation. 1927-28 :—

[In acres.]

	CULTIVATED.			AREA UNDER IRRIGATION.		
	Net area actually sown.	Current fallows.	Cultivable waste other than fallow.	By canals.	By tanks, wells and other sources.	TOTAL.
North-West Frontier Province .	22,23,846	5,69,854	27,20,525	7,41,854	1,72,910	9,14,564
Ajmer-Merwara	3,61,885	1,70,097	3,93,457	..	1,43,250	1,43,250
Delhi	3,17,856	11,708	65,919	23,203	24,141	47,344

The North-West Frontier Province has two seasons of rainfall, the monsoon and the winter. Both are precarious and not infrequently either the monsoon or the winter rains fail almost entirely. The average rainfall is 45 inches in the Hazara District and ranges between 11 to 16 inches in the remaining four districts. The province depends largely on artificial irrigation, the area depending on canal irrigation alone being more than one-third of the total area sown.

In Ajmer-Merwara the rainfall is precarious as it lies outside the full influence of both the north-east and south-west monsoons. Its frequent failure renders the province liable to scarcity and famine. The annual rainfall averages 20 inches and most of it occurs between June and September. The province is irrigated to a large extent by wells and artificial tanks.

The normal annual rainfall in the Province of Delhi is 27 inches, of which 24 inches fall in the summer months and three in the winter. The main source of artificial irrigation is the Western Jumna Canal which enters near Narela on the northern boundary and gradually converges towards the river at Delhi. The headworks of the Agra Canal, which takes off the Jumna at Okhla, 8 miles south of Delhi, are located within the province, but no portion of it is irrigated by the canal. The Eastern Jumna Canal waters a portion of the Shahdara tract on the east of the Jumna river.

13. The population of the five British districts of the North-West Frontier Province according to the census of 1921 was 2,294,263 of which 1,488,229 or 66 per cent. was returned as agricultural. The table below shows the number *per mille* of the total population supported by the different occupations falling under each of the classes named therein:—

Occupation.	Population supported.
A.—Agricultural, pastoral and mining—	
Exploitation of animals and vegetation	655
Exploitation of minerals	2
B.—Industrial	126
C.—Commercial—	
Transport	17
Trade	63

Occupation.	Population supported.
D.—Professional, including public administration, liberal arts and miscellaneous—	
Public force	46
Public administration	12
Professions and liberal arts	33
Persons living on their income	4
Domestic service	9
Insufficiently described occupations	24
Unproductive	11

The density of population for the British Districts per square mile is 168 and is heaviest in the Hazara District, 208 per square mile, and lowest in the Dera Ismail Khan District, 75 per square mile. The pressure of the population on cultivated area is 515 per square mile for the province as a whole.

In Ajmer-Merwara the census of 1921 returned a population of 495,271 of which 52 per cent. was agricultural. Rajputs are the principal landholding class and numbered 13,771. Among the cultivator classes the Rawats (53,280), Jats (25,896) and Malis (13,176) are the most numerous.

The table below shows the number *per mille* of the total population according to the different occupations:—

Occupation.	Population supported per mille.
A.—Agricultural, pastoral and mining—	
Exploitation of animals and vegetation	520
Mining	3
B.—Industrial	
C.—Commercial—	
Transport	88
Trade	86
D.—Professional, including public administration, liberal arts and miscellaneous—	
Public force	17
Public administration	13
Professions and liberal arts	45
Persons living on their income	4
Domestic service	28
Unproductive	19
Other (insufficiently described occupations)	26

The mean density of population per square mile was 183 for the province and per square mile of cultivated area, 385.

According to the Census Report of 1921, the population of the Delhi Province was 4,88,188. The population of the Imperial Capital under Municipal and Cantonment administration was 304,420. The small town of Shahdara (6,355) and three large villages, Narela (4,645), Najafgarh (3,945) and Mahrauli (3,871), are officially known as Notified Areas and are administered by small committees. The remainder of the population, *viz.*, 164,952, is rural. The mean density per square mile is 823. The rural distribution is 323 to the square mile and the density per cultivated area, 552.

The table below shows the number *per mille* of the total population supported by the different occupations:—

Occupation.	Population supported.
A.—Agricultural, pastoral and mining—	
Exploitation of animal and vegetation	291
Mining	2
B.—Industrial	
C.—Commercial—	
Transport	61
Trade	155
D.—Professional, including public administration, liberal arts and miscellaneous—	
Public force	20
Public administration	18
Professions and liberal arts	34
Persons living on their income	9
Domestic service	48
Unproductive	12
Other (insufficiently described occupations)	41

The proportion of workers to the total population according to the census figures is 37 per cent. in the North-West Frontier Province, 41 per cent. in the Province of Delhi and 59 per cent. in Ajmer-Merwara. The tables below give the figures of the

Proportion of actual workers to total population.

total population and the number of *actual* workers in the villages in which intensive survey was conducted :—

NORTH-WEST FRONTIER PROVINCE.

Classification of workers.

Names of the villages.	Total No. of persons.	NO. OF ADULTS.			NO. OF PERSONS WORKING.		
		Males.	Females.	Total.	In their own fields.	In the field of others.	Total Number
1. Chamkani . . .	3,300	1,008	986	1,994	356	112	468
2. Fabbi . . .	3,440	929	1,099	2,028	327	231	558
3. Shabqadar . . .	2,618	942	661	1,603	312	347	659
4. Mayar . . .	3,717	1,084	1,106	2,170	316	228	544
5. Manki . . .	2,500	855	730	1,585	256	337	593
6. Lachi Bala . . .	1,511	622	474	996	810	180	990
7. Hangoo . . .	1,592	521	511	1,032	502	19	521
8. Billitang . . .	2,183	599	440	1,039	440	440	440
9. Dhamtour . . .	4,021	1,343	1,194	2,537	354	36	390
10. Punodheri . . .	599	229	181	410	314	51	365
11. Kot Najibulla . . .	4,368	1,322	1,257	2,579	201	101	302
12. Ghorwala . . .	4,738	1,372	1,420	2,792	390	375	765
13. Shabbaskhel . . .	2,072	665	591	1,256	221	416	637
14. Potah . . .	533	183	151	334	44	136	180
15. Maddi . . .	2,488	716	728	1,444	195	306	501
16. Gul Imam . . .	1,635	504	501	1,005	173	191	364
TOTAL	41,315	12,774	12,200	24,974	5,211	3,066	8,277

Ratio of workers to total population=200 : 1000.
Ratio of workers to total adult population=331 : 1000.

DELHI.

Classification of workers.

Names of the villages.	Total No. of persons.	NO. OF ADULTS.			NO. OF PERSONS WORKING.		
		Males.	Females.	Total.	In their own field.	In the field of others.	Total.
1. Jhingola . . .	124	43	30	73	47	6	55
2. Akbarpura . . .	236	80	56	136	68	34	102
3. Mohammadpur . . .	260	82	77	159	88	44	132
4. Nangloi Sayyad . . .	273	78	87	165	50	17	67
5. Deo Bala . . .	195	44	34	78	12	3	15
6. Nangli Sakravati . . .	427	165	144	309	177	..	177
7. Jafarpur Kalan . . .	359	92	95	187	122	34	156
8. Rajpur Khurd . . .	227	81	59	140	103	..	103
9. Jonsapur . . .	562	172	146	318	144	15	159
10. Shahpur Jat . . .	903	286	244	530	288	26	314
11. Masjid Moth . . .	354	115	105	220	62	..	62
12. Hanzi Bani . . .	616	169	175	344	101	36	137
13. Dalupura . . .	419	125	120	245	180	15	195
14. Silampur . . .	341	106	104	210	74	23	97
TOTAL	5,301	1,638	1,476	3,114	1,516	253	1,769

Ratio of workers to total population=333 : 1000.
Ratio of workers to total adult population=568 : 1000.

AJMER-MERWARA.
Classification of workers.

Names of the villages.	Total No. of persons.	NO. OF ADULTS.			NO. OF PERSONS WORKING.		
		Males.	Females.	Total.	In their own fields.	In the field of others.	Total.
1. Rupaagar . .	600	206	178	386	387	40	427
2. Lavera . .	349	129	103	233	151	50	201
3. Balad . .	504	171	173	344	126	88	214
4. Bar . .	408	117	116	233	162	75	237
5. Rajlawa . .	1,016	327	350	677	580	21	601
6. Chat . .	165	61	48	109	64	20	84
7. Nayran . .	648	185	206	390	239	73	312
8. Bagar . .	720	240	203	443	620	38	658
9. Sarana . .	525	161	167	328	146	93	239
10. Dansaryan . .	529	150	133	283	356	6	363
11. Makrera . .	892	300	295	595	297	161	458
12. Baghana . .	615	199	193	392	553	14	567
13. Rawatmal . .	412	146	143	289	250	26	285
14. Jaswantpara . .	247	78	71	149	111	56	167
15. Sanod . .	1,085	334	350	684	457	128	465
16. Banjari . .	636	202	206	408	316	..	316
17. Bhagwanpura . .	279	103	84	187	175	..	175
18. Galti . .	472	176	160	336	265	..	265
19. Sarmalian . .	368	113	113	226	186	..	186
20. Kekri . .	3,965	1,233	1,323	2,556	983	763	1,746
TOTAL . .	14,432	4,633	4,614	9,247	6,433	1,652	8,085

Ratio of workers to total population = 563 : 1000.

Ratio of workers to total adult population = 874 : 1000.

On the basis of these investigations the proportion of actual workers to the *total* population is estimated at 20 per cent. in the North-West Frontier Province, 33 per cent. in the Province of Delhi and 56 per cent. in Ajmer-Merwara. The proportion of actual workers to adult population is 33 per cent. in the North-West Frontier Province, 59 per cent. in Delhi and 87 per cent. in Ajmer-Merwara.

In point of literacy, the North-West Frontier Province is the most backward among the Centrally Administered Areas. Of the total population of 2,294,263 in the five settled districts

Literacy.

of that Province at the census of 1921, only 4.3 per cent. or 93,450 persons were literate, of whom 20,481 were literate in English. In Ajmer-Merwara, 10 per cent. or 49,762 persons out of a total population of 495,271 in 1921 were literate, of whom 9,905 were literate in English. In the Province of Delhi, out of a total population of 488,188, only 10.7 per cent. or 52,458 persons were literate, the number of persons literate in English being 16,087.

14. The land tenure in the North-West Frontier Province falls under three main classes, *zamindari*, *pattidari* and *bhaichara*. The first two refer to estates held as a single unit or portions representing fractions of a single original share, and the last to estates held in separate portions representing no fractional part of the whole. Of the two, the latter is more common. Generally speaking, the village was originally owned by one proprietor whose descendants continued to hold it jointly on a communal *zamindari* tenure. When the branches of the family partitioned off their shares, the tenure became incomplete *pattidari* or divisional, if some land, usually grazing land, was left common. When further alienations took place, until no common land remained and the measure of right was the individual holding, the tenure became complete *bhaichara*.

Land Tenure—

(a) N. W. F. Province.

The persons entitled to the produce of land are (1) proprietors, who include *Malikan-i-Qabza*, *i.e.*, owners who own no share of the *shamlat* or village common land and (2) tenants who are divided into occupancy tenants and tenants-at-will.

Proprietors.

The proprietary right is sometimes divided into superior and inferior. The superior proprietor takes a share in cash or in kind and generally has nothing to do with the cultivation. The inferior proprietor is often the actual cultivator or he may have tenants under him. *Malikan-i-Qabza*, or proprietors by right of possession, have normally acquired their right by purchase, but a share in the village common land is specifically excluded from the area sold. Unless a deed of transfer specifically mentions a share of common land as having been transferred, the new owner is entered in the revenue papers as owning no share in the village common land, *i.e.*, as a *Malik-bé-Qabza*. Inferior proprietors and occupancy tenants have often derived their rights by bringing new and

under cultivation. The area subject to the dual control of superior and inferior proprietors is inconsiderable in the Peshawar, Bannu and Hazara Districts. There is a special kind of tenure in Kohat. Prior to the annexation of Teri, the Khan of Teri enjoyed a semi-independent position since Mughal times, paying tribute to the sovereign for the time being and realising from the tribesmen the state share as well as the feudal dues and services due to himself. Since the annexation, his status has been altered and the Khan is now a superior owner entitled to receive, in return for a quit-rent paid by him to the Government, the revenue assessed on the Teri Tehsil, together with certain other dues sanctioned by Government, *viz.*, grazing fees (*tirni*), house tax on non-agriculturists (*buha*) and a tax on wood cutting (*kulhari*). In Dera Ismail Khan inferior proprietors generally represent the descendants of settlers who were attracted by the offer of liberal terms by the superior proprietors. In many cases these superior proprietors parted with the ownership of the land on receipt of an entrance fee and on a promise of an annual payment of *malkiana*. In some cases similar rights were transferred to settlers who agreed to embank and reclaim uncultivated land.

Occupancy tenants are subdivided according to the manner in which the right of occupancy has been acquired.

Tenants.

This right is hereditary on the conditions and in the circumstances laid down in sections 5, 6 and 8 of the Punjab Tenancy Act, XVI of 1887, and is transferable under sections 53 to 60 of that Act subject to the landlord's claim to pre-emption at a market value fixed by a Revenue Officer on his application. If an occupancy tenant transfers his tenancy without issuing notice to the landlord through a Revenue Officer, the landlord is entitled to eject the tenant. The occupancy tenants are entitled to make improvements in their tenancies under the Act. Tenants-at-will are liable to ejection at the end of an agricultural year on a notice of ejection issued by a Revenue Officer on the application of the landlord and on payment of compensation for improvements assessed by the Revenue Officer. In some parts of the province the right of cultivation is sometimes mortgaged to a tenant-at-will and in such cases he cannot be ejected until the mortgage debt is paid. The Hazara Tenancy Regulation of 1887, which is in force in the

Hazara District, principally relates to the conditions necessary for the acquisition of the rights of occupancy.

The Government is the owner of about 8 per cent. of the cultivated area consisting of estates founded on waste lands, or accruing to it by lapse or escheat. These are generally let out on lease on favourable terms to men with local influence or with claim to the consideration of Government.

According to the census of 1921, there were in the province 241,610 land-owners, *i.e.*, those whose holdings were cultivated by tenants and peasant proprietors, and 239,526 tenants.

The Punjab Land Alienation Act is in force in the North-West Frontier Province.

Land tenures in the Province of Delhi are generally the same as in the North-West Frontier Province. The status of the tenants is governed by the Agra Tenancy Act, I of 1901 in the Shahdara tract, and the Punjab Tenancy Act, XVI of 1887 in the rest of the province. The occupancy tenant is usually in a strong position, often paying no rent beyond the land revenue and cesses, and consequently regards himself as owner. The rent which he is liable to pay may be enhanced or reduced in accordance with the rules under the Punjab Tenancy Act but so long as the appointed rent is paid the occupation of the tenant cannot be disturbed. Tenants-at-will cannot be ejected save after issue of a notice through a Revenue officer, an opportunity being given to them to contest their liability to ejection or to claim compensation for permanent improvements as a condition precedent to the relinquishment of land. The size of an average holding of both occupancy tenants and tenants-at-will is just under two acres.

Two other forms of tenure are in vogue in the province, *viz.*, the *sardarakhti* and *makbuza*. The former is applied to gardens where the tenant is owner of trees and cannot be ejected until he has been paid compensation for them, he being for practical purposes, a tenant-at-will, the magnitude of whose improvements prohibits his ejection. *Makbuza* is the tenure by which the State or public bodies take possession of land for public purposes. The tenant in such cases takes the land with the consent of the land-owner and returns it when no longer required without any charge to the owners.

The census of 1921 returned 977 persons as receivers of rent from agricultural land and 35,113 as ordinary cultivators excluding farm-workers, field labourers, etc.

The Punjab Land Alienation Act is in force in this province with the exception of the Shahdara tract, where although its application has been sanctioned, the names of agricultural tribes have not been notified yet.

The land tenures in Ajmer-Merwara
 (c) Ajmer-Merwara. are (i) *khalsa*, (ii) *istimrari*, (iii) *jagir*
 and *muafi* and (iv) *bhum*.

Khalsa.—Until the introduction of the *mauzawar* system in 1850, the tenure in the *khalsa* area was *ryotwari*. The State owned the land, but allowed certain rights to tenants who had spent capital on permanent improvements. This collection of rights gradually came to be regarded as proprietary rights, and since 1850 the State has abandoned its right of ownership over even unimproved land, reserving to itself the supreme right of recovering land revenue. An exception to this lies in the State remaining proprietor of tanks it has constructed, and owning the land in the bed of such tanks which is available in certain seasons for cultivation, and the land on the slopes of embankments. It reserves also all mineral rights in *khalsa* areas and the exclusive use and control of the water of all rivers and streams flowing in natural channels, of all natural collections of water and of all tanks constructed by Government. The proprietary land of each cultivator is known as *biswadari*, and of this he is the absolute owner as he may sell, mortgage or otherwise alienate it subject to the Alienation of the Land Regulation. A *biswadar* may also become the owner of common land which he has improved with the consent of a majority of the proprietary body.

Istimrar.—The *istimrari* lands were originally *jagirs* held on condition of military service and paid no revenue till the time of the Marathas in 1755, when they were assessed under the denomination of *mamla* or *aen*. In addition to this they had to pay a number of extra cesses which were discontinued in 1841 and the demand of the State was limited to the amount assessed by the Marathas. In 1873 these assessments were declared as fixed in perpetuity and the conditions on which the *istimrardars* were allowed to hold their estates were incorporated in a *sanad* which was granted to each of them.

The *istimrardars* are owners of the soil and all tenants in their estates are presumed to be tenants-at-will until the contrary is proved. The *istimrardars* enjoy certain privileges in connection with civil, criminal and revenue proceedings, and no decree for money against an *istimrardar* can be executed after his death, nor can it be passed against any person as the representative of a deceased *istimrardar*. On the other hand no *istimrardar* may permanently alienate his estate or any portion of it, nor may he create a temporary charge or alienation for any term extending beyond his own life except as security for advances from Government for land improvements, etc. There is a special enactment, *i.e.*, the Ajmer Talukdar's Loan Regulation, II of 1911, which governs the grant of loans to indebted *istimrardars*. The succession of *istimrardars* is governed by the rule of primogeniture. The *istimrardars* are divided into two classes (i) *tazimi* and (ii) non-*tazimi*, the former being the aristocracy of Ajmer-Merwara.

Jagir and Muafi.—The only distinction between *jagir* and *muafi* is that the former is understood to comprise a whole village or a share of a village while the latter a definite portion of land. They represent assignments of land revenue, or its whole or partial remission.

The *jagirdars* and *muafidars* have been granted *sanads* embodying the conditions on which the grants are held by them. Until the year 1872 the relative status of the *jagirdars* and cultivators as regards the ownership of the soil was quite undefined. In that year those in possession of land irrigated or irrigable from wells or tanks, not constructed by the *jagirdar*, were declared as owners of such land while the *jagirdar* was declared owner of irrigated land in which the means of irrigation had been provided by him and of unirrigated and wasteland. Actually the proprietorship of unimproved and waste land in *jagir* villages is determined according to local custom in each case, the record of such custom being the *wajib-ul-arz*.

Bhum.—The *bhum* tenure is peculiar to Rajputs and consists in a hereditary non-resumable and inalienable property of the soil. The duties of the *bhumias* were formerly to protect the village cattle from dacoits and the property of travellers within the village from theft and robbery and to indemnify pecuniarily the sufferers from a crime which they ought to have prevented. This pecuniary responsibility has been commuted into a yearly quit-rent

under the name of *nazrana* and the *bhumias* have practically become an armed militia liable to be called out for the suppression of riots or rebellion. The property passes to all the children equally, except where a Raja or *Istimrardar* is also a *bhumia*.

According to the census of 1921 receivers of rent from agricultural land were 2,982 and ordinary cultivators, excluding helpers in cultivation, field labourers, etc., 59,503.

No information as regards the total number of proprietary holdings in the whole of the North-West Frontier Province is available for recent years. According to the Settlement of 1900-05, the average cultivated area per holding in the Kohat district was 4.8 acres and the average cultivated area per owner 5.3 acres. In the Abbottabad Tehsil of the Hazara District, the average cultivated area owned by each proprietor and cultivated by himself was, according to the Assessment Report of 1906, 3.3 acres as against 5.6 acres in the Haripur Tehsil. In the Charsadda Tehsil of the Peshawar District over 84 per cent. of the total proprietary holdings were less than 10 acres, and 58 per cent. of the total were less than 3 acres, according to the latest Assessment Report for 1927-28. Similarly in the Swabi Tehsil of the same district, the percentage of holdings less than 10 acres to the total was over 92 per cent., and of those less than 3 acres about 63 per cent. in 1924-25. We have no up-to-date information as regards the number of holdings according to various sizes in the Province of Delhi. The total number of proprietary holdings in that Province is 25,898 and the average size of each holding is 12 acres, of which 8 acres are cultivated. The average cultivated area per holding varies from 4 acres in the Khandrat Circle to 15 acres in the Shahdara Circle. The total number of proprietary holdings in Ajmer-Merwara is 18,903 of which 14,323, or nearly 76 per cent., are below 10 acres, of which again 5,581, or 29 per cent. of the total, are below 3 acres.

15. In the North-West Frontier Province the *kharif* crops are sown from May to August and reaped between September and December, and the

Crops. *rabi* crops are sown from October to January and reaped in April or May. The system of cultivation varies greatly. In Hazara the cold mountain ranges produce only the autumn crops while the *rabi* is the chief harvest of the plains. In the highly

irrigated tracts, whether plain or valley, the best lands are cultivated twice a year for years together. Even inferior lands often bear two successive crops followed by a year's fallow; but in the plains of Dehra Ismail Khan which are mostly watered by embankments and where land is very abundant, the people prefer to leave their land fallow for two years out of three. The principal crops are maize and *bajra* in the cold weather, and wheat, barley and gram in the spring. Rice and sugar-cane are largely grown in the irrigated lands of Peshawar and Bannu Districts, and the well and canal irrigated lands of Peshawar District produce fine crops of tobacco and cotton. Rotation of crops is not uncommon. Crops such as wheat, cotton, tobacco, which are considered exhausting are followed by clover, maize, barley or some other recuperative crop, the residue of which is ploughed into the soil. The total area sown in 1927-28 was 2,568,582 acres and the total area harvested was 21,30,333 acres, or 83 per cent. of the total area sown. The total area of irrigated crops during the same year was 948,928 acres, representing 37 per cent. of the total area sown. Wheat is the most important crop of the Province and represented 39 per cent. of the total area sown in 1927-28. Gram, which is a very important crop in Kohat, Bannu and Dehra Ismail Khan Districts, occupied 9 per cent. of the total area sown, barley 6 per cent. and maize 19 per cent. The acreage under rape-seed was 121,365 and chillies about 20,000 in the year 1927-28.

In the Province of Delhi, the total area sown for the *kharif* crop in 1927-28 was 1,27,381 acres, of which 6,292 acres failed, and for the *rabi* crops 1,42,838 acres were sown, out of which 15,881 acres failed. *Bajra*, gram, wheat and barley are the principal crops. Sugar-cane, oilseeds, cotton and maize are grown to a considerable extent. Rice and millets are also grown but the crop is negligible. In the neighbourhood of the city, vegetables and fruit, for which the city has a large demand, are cultivated on a considerable scale. The cultivation of melons, cucumbers, etc., in the river bed is a speciality and yields a good return.

The principal crops in Ajmer-Merwara are maize, *jowar*, barley, cotton, oilseeds, *bajra* and wheat. Sugar-cane is grown in the Pushkar valley and fruit and vegetables in the neighbourhood of the towns. The autumn

crops are generally sown in July and reaped in October and November and spring crops are sown in October and reaped in March or April. Heavy manuring is required owing to the poor quality of the soil and the exhaustion of irrigated lands which are frequently cropped twice a year. In 1927-28, 79,033 acres were sown for the *rabi* crop of which 1,519 acres failed and 134,788 acres were sown for the *khari* crop of which 46,144 acres failed.

The net area actually sown in 1927-28 was 2,222,846 acres in the North-West Frontier Province, 217,856 acres in the Delhi Province and 361,885 acres in Ajmer-Merwara. The table below gives the total yield and value of the principal crops :—

Figures of yield and value in thousands.

Crops.	NORTH-WEST FRONTIER PROVINCE.			DELHI.			AJMER-MERWARA.		
	Yield.	Price per maund.	Value.	Yield.	Price per maund.	Value.	Yield.	Price per maund.	Value.
	Mds.	Rs. A. P.	Rs.	Mds.	Rs. A. P.	Rs.	Mds.	Rs. A. P.	Rs.
Wheat . . .	4,388	4 6 6	19,312	517	5 0 0	2,585	408	5 10 4	2,308
Barley . . .	1,416	3 1 0	4,337	163	3 10 0	591	490	3 13 11	1,896
Jawar . . .	245	3 3 0	827	245	4 12 0	1,164	109	4 4 4	466
Bajra . . .	381	3 14 6	1,488	272	4 4 6	1,165	82	4 13 0	395
Malze . . .	6,152	3 8 6	21,725	27	4 4 0	115	272	4 0 11	1,104
Gram . . .	735	3 13 6	2,826	300	4 2 0	1,238	136	4 1 4	555
Raw sugar . . .	1,715	7 0 0	12,005	191	5 8 0	1,051	..	..	..
Rape seed and mustard.	245	6 0 0	1,470	27	8 8 0	230	..	..	..
Cotton . . .	54	11 6 0	614	27	11 8 0	311	381	11 8 10	4,357
TOTAL . . .	15,326	..	64,604	1,769	..	8,450	1,878	..	11,076

16. The cost of cultivation comprises the labour for ploughing, sowing, irrigating, weeding and harvesting, etc., purchase and feeding of bullocks; cost of implements, seed and manure, and sinking or repair of wells, and water-tax, if any. As the majority of the holdings in these Areas are small, the cultivator and his family themselves provide the manual labour, outside labour being employed, if necessary, during harvesting, which is usually paid for in kind. In 1923 the Agricultural Officer, North-West Frontier Province, made detailed enquiries into the cost of cultivation of the different

kinds of crops in the Peshawar Tehsil and estimated that the cost of cultivating one *jarib*, or two-fifths of an acre including rent and land revenue, for chillies was Rs. 73-8, the outturn being 8 maunds of chillies; for sugar-cane, sufficient to produce 16 maunds of *gur* including cost of making *gur*, Rs. 143-12; for maize Rs. 31-2; for cotton Rs. 28-4; and for wheat Rs. 43-6, the yield being 8 maunds of maize, 2 maunds of *kapas* and 8 maunds of wheat, respectively. According to another estimate made by the same officer, the cost of cultivating one *jarib*, in a holding of 11 *jaribs* of rich irrigated land in the Peshawar District by following the best rotation, *viz.*, sugar-cane, chillies, wheat, maize and clover, following one another in the order named, was Rs. 840 for three years, which is the period covered by the rotation. In the estimate of cost, the labour of the cultivator is charged at 10 annas a day, that of his son at 8 annas a day and of his wife when engaged in picking chillies, etc., at 6 annas a day. The gross return during the three years was estimated at Rs. 1,290.

The table given below gives the cost of cultivation per acre and per plough excluding land revenue and rent, actually incurred by the cultivators in 11* of the villages of the North-West Frontier Province selected for intensive survey.

NORTH-WEST FRONTIER PROVINCE.

Cost of cultivation.

Villages.	Cultivated area.	Total cost of Cultivation excluding land revenue and rent.		Cost per acre of cultivated area.	No. of ploughs.	Cost of cultivation per plough.
		Acres.	Rs.			
1. Shabqadar	862	18,990	22-3	73	260-1	
2. Lachi	2,148	20,422	9-5	135	151-27	
3. Hango	943	10,417	11-0	133	78-3	
4. Billitang	1,735	20,305	11-7	149	136-2	
5. Dhamtaur	2,793	58,711	21-0	211	278-2	
6. Kotnajibulla	2,698	8,612	3-3	146	58-9	
7. Funon Dheri	776	14,846	18-8	77	190-2	
8. Ghoriwalla	4,519	34,063	7-5	442	77-03	
9. Potah	2,147	57,873	26-8	166	348-6	
10. Madi	12,235	49,491	4-04	250	179-9	
11. Gul Imam	21,532	1,01,361	4-7	254	399-0	
TOTAL	52,299	3,94,896	7-5	2,036	193-9	

* The results of enquiries into the remaining 5 villages could not be analysed within the time at our disposal as the forms of intensive surveys were sent to our office very late.

These figures show that the maximum cost of cultivation per acre was Rs. 26-8 at Potah and the minimum Rs. 3-3 per acre at Kotnajibulla, the average for the 11 villages being Rs. 7-5 per acre.

We have received no estimate from any agricultural expert of the cost of cultivation in the other two Areas and have to fall back upon the results of our intensive survey. The tables below show the cost of cultivation in some of the villages selected for intensive survey in the provinces of Delhi and Ajmer-Merwara :—

DELHI.

Cost of cultivation.

Villages.	Total cost of cultivation excluding land revenue and rent.	Cultivated area.	Cost per acre of cultivated area.	Number of ploughs.	Cost of cultivation per plough.
	Rs.	Acres.	Rs.		Rs.
1. Jhingola	3,933	201	19-56	16	246-0
2. Akbarpur Majra	6,230	280	22-25	20	311-0
3. Mohammadpur Majra	22,035	693	31-79	25	881-0
4. Nangloi Sayyad	7,590	631	12-0	28	271-0
5. Deo Rala	3,097	552	5-6	15½	199-8
6. Jafarpur Kalan	8,779	609	14-4	46½	271-8
7. Nangli Sakaravti	8,422	647	30-00	38	221-7
8. Rajpur Khurd	15,149	170	89-11	25	605-9
9. Jonapur	14,580	1,061	13-7	73	199-7
10. Shahpur Jat	48,800	579	84-0	79	615-9
11. Masjid Moth	16,454	298	55-04	21	787-9
12. Haur Rani	14,937	411	36-3	28	533-4
13. Dalupura	12,337	351	35-1	58	212-7
14. Silampur	25,917	159	163	32	809-9
TOTAL	2,08,320	6,922	30-1	987	211-1

AJMER-MERWARA.

Cost of cultivation.

Villages.	Total cost of cultivation excluding land revenue and rent.	Cultivated area.	Cost per acre of cultivated area.	Number of ploughs.	Cost of cultivation per plough.
	Rs.	Acres.	Rs.		Rs.
1. Rupsagar	6,819	326	20-9	100	63-19
2. Lavera	3,161	702	4-5	51	6-9
3. Balad	6,240	648	9-6	70	80-1
4. Bar	3,059	241	12-7	68	44-9
5. Rajlawas	10,766	1,580	6-8	138	78
6. Chat	2,832	167	16-9	32	88-5
7. Nayran	9,382	782 (actually under cultivation in 1928-29).	11-9	87	108-8
8. Bagar	7,359	651	11-3	118	62-4
9. Sarana	10,136	929 (actually under cultivation in 1928-29).	10-9	54	184
10. Dansaryan	5,628	212	26-5	82	68-6
11. Makrera	16,794	1,645 (actually under cultivation in 1928-29).	10-2	128	131-2
12. Baghana	6,733	374	18-0	130	65-4
13. Rawatmal	3,383	182	18-6	64	53-0
14. Jaswantpura	3,468	528 (under cultivation in 1928-29).	6-6	88	91-2
15. Sanod	8,793	1,992 (under cultivation in 1928-29).	24-4	126	69-3
16. Banjari	4,700	251	18-7	110	42-7
17. Bhagwanpura	2,861	166	17-2	54	52-9
18. Galti	6,672	584	11-5	52	128-3
19. Sarmallan	4,553	457	9-9	65	70-0
20. Kekri	26,852	4,949	5-4	438	61-3
TOTAL	150,191	22,287	6-7	1,978	75-9

The cost of cultivation was highest in Silampur in the Delhi Province, being Rs. 163 per acre and lowest in Deorala, being Rs. 5-6 per acre, the average for the 14

villages under intensive survey being Rs. 30.1. In Ajmer-Merwara, the cost was highest, viz., Rs. 26.5 in Dansaryan and lowest Rs. 4.4 in Sanod, the average for the 20 villages being Rs. 6.7.

On the basis of the above averages of the cost of cultivation for the 11 villages in the North-West Frontier Province, 14 villages in the Province of Delhi and 20 villages in Ajmer-Merwara, the total cost of cultivation of the area actually sown in 1927-28 is estimated at Rs. 166.71 lakhs, Rs. 65.57 lakhs and Rs. 24.25 lakhs, respectively.

17. The important factors affecting the value of land are its yield, selling capacity and the prestige its possession confers on the owners. In these Areas, the sale of land is restricted by the provisions of the Land Alienation Act or Regulations; and yet the value of land has been increasing considerably for some years.

The table below compares the prices of land per cultivated acre for the quinquennium 1895-1900 with the corresponding figure for 1920-25 in the various assessment circles of Peshawar and Nowshera Tehsils of the Peshawar District:—

Assessment circle.	Sale price.	
	1895-1900.	1920-25.
	Ra.	Rs.
<i>Peshawar Tehsil—</i>		
Koh Daman Michni	49	320
Darya Urar Par	66	317
Kabul Nahri	106	624
Kasba Bagram	444	1,172
Bara	107	598
Keh Daman Mohmand	103	207
Tehsil	99	503
<i>Nowshera Tehsil—</i>		
Chahi-Nahri	41	570
Kinare-Darya	23	179
Koh-i-Khattak	37	216
Khawara	3	52
Nilab	4	82
Tehsil	26	304

The above figures show that there has been a very large increase in land values since the last Settlement. It is possible that the figures in some cases were inflated to

defeat possible pre-emptors but this might also be true of the recorded prices of the previous quinquennium. The prices have in some cases increased to about twenty times and in the case of the Peshawar Tehsil about five times during the interval. The average price for each quinquennium must vary considerably according to the proportion *inter se* of the various classes of the land sold; but this may equally apply in the case of the figures for the previous quinquennium.

The table below shows the current value of land of various kinds as disclosed by the results of the intensive enquiries in 10 villages of this Province:—

NORTH-WEST FRONTIER PROVINCE.
Value of Land per acre in rupees.

Village.	Irrigated.	Unirrigated.	Uncultivated.	Dagoba.	Chah.	Rodkoh.	Barani.	Barren.	Munkin.	Chair Munkin.	Kala gant.	Mera Bela.	Rakar an Kabst.
1. Shabqadar . . .	1,000	200	40	..	..	..	..	..	..	..	..	..	..
2. Lachi . . .	120	98	16	..	..	..	..	..	..	..	..	..	..
3. Hangoo . . .	800	100	..	..	..	..	..	..	..	..	..	..	..
4. Billitang . . .	594* 48†	..	..	55	135	..	55	30	..	5	..	..	..
5. Dhamtour . . .	1,400	1,198	105	..	..	..	..	..	..	..	..	..	..
6. Kotnajbulla . . .	1,440	600	300	24	non-cultivable			..	..	..	..	200	200
7. Funondheri . . .	600	450	19	..	..	..	..	..	..	..	..	300	150
8. Ghoriwala . . .	560	..	80	..	..	..	..	..	..	..	..	..	..
9. Potah . . .	300	..	..	..	..	..	..	..	..	..	..	..	..
10. Gul Imam . . .	130	..	..	..	..	300	200	..	200	30	240	..	..
	..	..	..	..	..	320	200	..	200	30	240	..	..

* Land giving two crops yearly.
† Land giving one crop yearly.

No revenue settlements have recently taken place in the other two Areas, and no reliable information from official sources as to the trend of prices of land in recent years is, therefore, available. It is, however, interesting to note that in the old Delhi district, the sale price of land during the years 1868-74 was returned as Rs. 30 per acre, whereas between the year 1901, when the Land Alienation Act was introduced, and 1910 the average price per acre outside Delhi proper, of which roughly 35 per cent. was waste land, was Rs. 78, indicating an increase of as much as 160 per cent. In Chapter IV regarding the burden and effects of rural indebtedness we have given figures which indicate the increase in the price of land that has taken place in these Areas, during recent years.

The tables below show the prices of land in the several villages in which intensive enquiries were made:—

DELHI.

Value of land per acre.

Serial No.	Villages.	Irrigated.	Unirrigated.	Uncultivated.
1	Akbarpur Majra	{ (a) 500 (b) 250	{ (a) 300 (b) 150	(a) 150
2	Jhingola	100	80	40
3	Mohammadpur Majri	500	400	50
4	Nangloi Sayyad	700	400	100
5	Deo Rala	—	250	100
6	Jafarpur Kalan	300	250	—
7	Nangli Sakrauti	500	250	—
8	Rajpur Khurd	720	Sailab. 300 480	240
9	Jonapur	250	150	75
10	Shahpur Jat	960	960	200
11	Masjid Moth	960	860	—
12	Hauz Rani	720	480	—
13	Dalupura	150	100	50
14	Silampur	500	375	200

NOTE.—(a) proprietary rights.
(b) occupancy rights.

AJMER-MERWARA.

Value of land per acre.

Villages.	Chahi.	Talabi.	Abi.	Barani.	Uncultivated.	Average value 20 years ago.
	Ra.	Rs.	Rs.			
1. Rupnagar	200	150	100	50	..	80
2. Lavera	250	125	100	80	..	210 (Chahi).
3. Balad	250	150	100	75	.. 38	70
4. Bar	400	300	250	150	..	100
5. Rajiawas	500	500	300	100	..	100
6. Chat	800	188	50	25	..	250 (Chahi).
7. Nayaran	500	500	75	50	..	375 (Chahi).
8. Bagar	400	300	100	100	..	250 (Chahi).
9. Sarana	200	..	..	25	..	150 (Chahi).
10. Dansaryan	1,250	..	1,000	500	..	750 (Chahi).
11. Makrera	375	..	500	250	..	Not available.
12. Baghana	300	..	75	50	..	300 (Chahi).
13. Rawatmal	500	850	250	200	..	100 (Chahi).
14. Jaswantpura	250	250	100	25	..	150 (Chahi).
15. Sanod	500	700	125	50	..	250 (Chahi).
16. Banjari	500	..	..	100	.. 25	Not available.
17. Bhagwanpura	(Irrigated) 500	..	..	250	25	Do.
18. Galti	(Irrigated) 500	..	500	250	100	Do.
19. Sarmalian	375	375	125	125	..	250
20. Kekri	250	150	50	45	..	{ 175 (Chahi). 100 (Talabi). 25 (Barani).

18. The foregoing review of the economic conditions of these three provinces brings out clearly the main factors that must be taken into account while devising measures for the extension of banking facilities. Both the North-West Frontier Province and Ajmer-Merwara are predominantly rural, while Delhi is mainly urban. The bulk of the agriculturists are small producers, and such of them as are tenants-at-will have generally no security to offer except the crops they grow. The security which even the proprietors of land can offer is greatly affected by the Punjab Land Alienation Act or Regulations similar to it. The number of active workers compared to the total rural population or the total number of adults is far too small, particularly in the North-West Frontier Province. Communications both in the North-West Frontier Province and Ajmer-Merwara, though improving, are still far from satisfactory. The bulk of the produce grown consists of food-grains, and much of the cultivation is, therefore, merely farming for subsistence. And finally, an overwhelmingly large number of people are illiterate, and only a small percentage of even the literates can read and write English.

CHAPTER III.

RURAL INDEBTEDNESS.

19. We were asked to make as accurate an estimate of the rural indebtedness of the Centrally Administered Areas as was possible. The task was by no means an easy one. In the North-West Frontier Province there has never been any previous enquiry into indebtedness at all and the Local Administration were against making any extensive enquiries in the villages of the province, except in a few selected cases, as any such attempt was likely to be misconstrued owing to the peculiar circumstances of the province. Even the figures relating to total existing mortgages and mortgage money were not, except in the district of Peshawar, easily available at the headquarters and the Local Administration was able to supply them to us only at a very late stage of our investigations.

In the case of Delhi, the only available literature on the subject consisted of a few sentences in Major C. H. Beadon's final Settlement Report of the Delhi District, 1906—1910, in which it was stated "that the unsecured debt of the proprietors is returned as 35 lakhs of rupees, a sum which is about four times the former land revenue demand and means a debt of Rs. 40 per individual proprietor", but the attempt to get any details of this estimate or the basis on which the estimate was made or even the method employed for making that estimate bore no fruit.

In Ajmer-Merwara the only comprehensive enquiry made was half a century ago in the time of Sir J. D. La Touche, but no details of this estimate could be got from the Local Administration. No enquiry into indebtedness was made at the time of the last settlement report, and in the absence of any definite information as to the total existing mortgage money in any previous year, the figures of yearly mortgages for a few years, which was all that could be had from the local administration, led us nowhere. A reference was made in the report on the working of the co-operative societies for the year 1919 to an enquiry made

by the Co-operative Department into the indebtedness of co-operative members but the Registrar of Co-operative Societies, Ajmer, could not trace any papers in his office relating to this enquiry. A rough estimate of the rural indebtedness of the province was made by Mr. Calvert in his note on the working of the co-operative societies in Ajmer-Merwara in 1918, but the assumptions on which it was based could not be accepted by the Committee as correct in view of the later information available. The task therefore had to be undertaken without any help or guidance from previous enquiries and practically without the help of any statistical material available at the Local Government's head office.

20. The Co-operative Department in all the three Centrally Administered Areas have furnished the Committee with figures which can be made the basis of an estimate of indebtedness of the Areas on the lines of Mr. Darling's estimate for the Punjab, though in the case of the North-West Frontier Province the available figures are rather scanty, as the co-operative movement has made headway only in two tehsils of the province, *viz.*, Haripur and Abbottabad. The relevant statistics and the estimates of rural indebtedness of the Province on these lines are given below :—

—	Open debt.	Mortgage money.	Total debt.	Total No. of members.	Debt per member.	Average debt per person.
	Ra.	Ra.	Ra.		Ra.	Ra.
Abbottabad .	31,587	62,479	94,066	500	188	36
Haripur .	97,769	3,29,576	4,27,345	1,651	259	50
Both Tehsils .	1,29,356	3,92,055	5,21,411	2,151	242	47

Average size of a family in North-West Frontier Province	5.2
Rural population of the North-West Frontier Province at the Census of 1921	1,915,491
Total rural debt for the North-West Frontier Province estimated on the basis of—	
	Ra.
(a) debt per member in Abbottabad	6,92,52,367
(b) debt per member in Haripur	9,54,06,187
(c) debt per member in Abbottabad and Haripur taken together	8,91,44,004

In the case of Ajmer-Merwara we have figures available for as many as 477 co-operative societies in the province, and, therefore, the basis for framing an estimate of indebtedness is much broader than in the case of the North-West Frontier Province. The following table, for which we are indebted to the Co-operative Department of Ajmer-Merwara, gives us the statistics necessary for the purpose :—

AJMER-MERWARA.

Indebtedness of the members of Co-operative Societies.

Name of Circle.	No. of societies.	Total No. of members.	TOTAL MORTGAGE DEBT OF ALL MEMBERS.			AVERAGE OF MORTGAGE DEBT.		
			Outside.	Society.	Total	Outside.	Society.	Total.
			Rs.	Rs.	Rs.			
Ajmer	91	2,234	2,24,642	1,38,370	3,63,012	100·5	61·9	162·4
NasiraLad	175	3,924	1,48,548	1,07,656	2,56,204	37·8	27·4	65
Beawar	138	2,629	3,08,898	51,659	3,60,557	117·4	19·7	137
Todgarh	73	1,072	1,83,548	11,204	1,94,752	171·2	10·4	182
TOTAL	477	9,859	8,65,636	3,08,889	11,74,525	88	31·3	119

(Concluded.)

Name of Circle.	TOTAL OPEN DEBT OF ALL MEMBERS.			AVERAGE OF OPEN DEBT.			Total average of mortgage and open debt of all members.	MORTGAGE.		Average mortgage money per bigha.
	Outside.	Societies.	Total.	Outside.	Society.	Total.		Area mortgaged.	Mortgage money.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		(Bighas)	Rs.	
Ajmer	5,07,205	3,00,614	8,07,819	227	134.5	362	524	6,790	2,24,642	33
Nasirabad	12,48,525	4,44,924	16,93,449	318.2	113.39	431.6	497	6,267	1,48,548	24
Beawar	3,39,640	3,44,463	6,84,109	129.2	131	260	397	6,064	3,08,898	51
Todgarh	1,12,160	83,071	1,95,231	104.6	77.4	182	364	3,021	1,83,548	61
TOTAL	22,07,536	11,73,072	33,80,608	224	119	344	463	22,142	8,65,636	30

The rural population of Ajmer-Merwara at the census of 1921 was 3,30,574 and the average size of a family was 4.22. On the basis of these figures the total rural indebtedness of the province, may, therefore, be estimated at Rs. 3,62,69,138, of which the mortgage debt of the province will be Rs. 93,21,871.

It will be noticed that in the statement received from the Co-operative Department, the classification does not follow the lines of Mr. Darling's classification of the members of co-operative societies in the Punjab into proprietors, occupancy tenants, farm servants, etc. We did not think it worth while to ask the Co-operative Department to undertake the trouble of this laborious classification, as even with this correction Mr. Darling's method is open to the general objection that it assumes that the economic condition of proprietors, cultivators, etc., in the co-operative movement is not different from that of those who are outside the co-operative movement—an assumption which our enquiries show to be wide of the mark. The Registrar of Co-operative Societies, Ajmer-Merwara was, however, requested to classify the members of each co-operative credit society as rich, poor and average according to the general opinion in the village in which the co-operative credit society is situated, and give the relevant figures regarding indebtedness of the co-operative members who are considered as average villagers. How wide is the difference between the indebtedness of this average person of the rural areas and the average indebtedness per member of the co-operative society is strikingly brought out by the following table:—

AJMER-MERWARA.

Average Indebtedness of members of Co-operative Societies.

Serial No.	Name of Circle.	No. of societies.	Total No. of members.	DETAILS OF MEMBERS.			TOTAL MORTGAGE DEBT OF ALL MEMBERS.			Average of mortgage debt.
				* Rich.	* Poor.	* Average.	Outside.	Society.	Total.	
							Rs.	Rs.	Rs.	Rs.
1	Ajmer	91	2,234	148	881	1,205	2,24,642	1,38,370	3,63,012	162
2	Nasirabad	175	3,924	423	1,483	2,018	1,48,548	1,07,656	2,56,204	65
3	Beawar	138	2,629	308	602	1,719	3,08,898	51,659	3,60,557	137
4	Todgarh	73	1,072	28	229	815	1,83,548	11,204	1,94,752	182
	TOTAL .	477	9,859	907	3,195	5,757	8,65,636	3,08,889	11,74,525	119

* Compared to the persons resident in each of the villages having a co-operative credit society.

(Continued.)

Serial No.	Name of Circle.	TOTAL OPEN DEBT OF ALL MEMBERS.			Average open debt.	MORTGAGE DEBT OF AVERAGE † MEMBER.			Average of mortgage debt of average members.
		Outside.	Society.	Total.		Outside.	Society.	Total.	
		Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	
1	Ajmer	5,07,205	3,00,614	8,07,819	362	53,764	22,677	76,441	63
2	Nasirabad	12,48,525	4,44,924	16,93,449	432	29,302	13,298	42,600	21
3	Beawar	3,39,646	3,44,463	6,84,109	260	1,45,394	11,741	1,57,135	91
4	Todgarh	1,12,160	83,071	1,95,231	182	97,519	4,838	1,02,357	126
	TOTAL .	22,07,536	11,73,072	33,80,608	344	3,25,979	52,554	3,78,533	66

† i.e., those members who are considered in their own village as neither rich nor poor.

(Concluded.)

Serial No.	Name of Circle.	OPEN DEBT OF AVERAGE MEMBERS.			Average open debt of average members.	Total of averages of mortgage and open debt of total members.	Total of averages of mortgage and open debt of average members.	Total area mortgaged (Bighas).	Mortgage money.	Average mortgaged debt per bigha.
		Outside.	Society.	Total.						
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Ajmer	1,31,180	1,05,085	2,36,265	106	524	259	6,790	2,24,642	33
2	Nasirabad	3,37,769	1,48,750	4,86,519	241	497	262	6,267	1,48,548	24
3	Beawar	1,75,876	2,09,473	3,85,349	224	397	315	6,064	3,08,898	51
4	Todgarh	64,002	54,280	1,18,372	145	364	271	3,021	1,83,548	61
	TOTAL	7,08,917	5,17,588	12,26,505	213	463	279	22,142	8,65,836	39

Adopting the average debt of an average member of the villages in the co-operative movement as the basis of the estimate, the total indebtedness of Ajmer-Merwara may be estimated at Rs. 219 lakhs, a figure which is less by as much as 40 per cent. of the estimate based upon the average indebtedness per member of co-operative societies. This is confirmed by the following analysis of the enquiry into indebtedness of such of the villages selected for intensive survey in Ajmer-Merwara as have an agricultural credit society:—

Villages.	Total debt per indebted member of Co-operative Society.	† Gross debt per family.	† Gross debt per indebted family.	† Gross debt per really indebted family of the village.	† Net debt per really indebted family of the village.
Bupnagar	550.4	173.2	249.6	268.8	262.6
Laveta	1880.9	819.1	905.3	917.6	916.2
Balad	577.7	249.6	465.9	457.7	457.5
Bar	778.4	322.5	398.2	414.5	409.1
Rajlawas	723.4	245.3	320.2	318.5	312.4
Mayra	1162.8	629.3	969.3	969.3	956.7
Bagar	832.1	433.4	506.2	475.6	454.7
Sarana	441.5	361.4	459.9	460.1	419.1
Dansaryan	701.0	610.1	649.9	839.6	591.3
Rawatmal	876.1	447.4	589.2	604.2	588.7
Sanadh	876.1	624.4	739.8	730.8	715.8
Banjari	987.2	513.8	565.2	567.8	551.1
Magwanpura	950.0	802.6	895.2	893.5	893.5
Galti	600.0	476.4	584.5	464.2	492.3

† For the whole village.

In the case of Delhi, similar figures taken from the *haisiyat* statement of 184 agricultural co-operative credit societies lead to an estimate of Rs. 2,38,89,840 as the debt of the rural classes in Delhi as is shown in the calculations set out below:—

Total No. of Societies.	Total No. of members.	Total unsecured debt.	Total unsecured debt per member.	Total secured debt.	Total secured debt per member.	Total Takavi.	Total takavi per member.
1	2	3	4	5	6	7	8
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
184	3,703	8,00,621	216	6,38,423	173	37,396	10

Total Societies loan.	Total societies, loan per member.	Total debt.	Total debt per member.	Rural population of Delhi Province.	Average size of the Delhi family.	Average of total debt per head of rural population on the basis of Co-operation Statistics.	Total debt in rural Delhi.
9	10	11	12	13	14	15	16
Rs.	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.
5,93,528	160	20,89,968	559	1,83,768	4.3	130	2,38,89,840

A comparison of this table with the analysis of the intensive survey conducted in 9 villages in the Delhi Province, however, suggests that this is clearly an over-estimate. For the village of Nangloi Sayyad, the average total debt per family of the members in the co-operative movement is Rs. 1,245, a figure which is considerably higher than not only the average total debt per family in the village as a whole, Rs. 680-28, but also higher than the average debt per family of tenants, Rs. 417, as well as the average debt per family of the non-cultivating families in the village, Rs. 81. A similar contrast exists in the case of other villages of the Delhi Province as the following tabular statement will show :—

Villages.	Total debt per indebted family of members of Co-operative Societies.	Gross debt per family in the village.	Gross debt per indebted family of the village.	Gross debt per really indebted family of the village.	Net debt per really indebted family of the village.
1. Nangloi Sayyad . . .	1,245	682	735	735	735
2. Shahpur Jat . . .	2,559	2,089	2,334	2,355	2,228
3. Nangli Sakraoti . . .	834	483	490	495	487
4. Rajpur Khurd . . .	824	525	707	774	750
5. Silampur . . .	1,213	509	594	594	594
6. Masjid Moth . . .	3,748	1,779	2,623	2,623	2,623

21. The Committee had the benefit of a note by Mr. Calvert, dated as early as 1918, in which he used the income-tax statistics as the basis of an estimate of the rural debt of Ajmer-Merwara which he put down at not less than 2 crores. But this was based on a number of assumptions which we find it difficult to accept. He assumed on the basis of a comparison between the census figures for 1901 and 1911 that the class of persons dependent on banking and money-lending was rapidly *increasing*, while the actual census figures for the year 1921 showed a substantial *decline* from 7,191 in 1911 to 5,949 in 1921 in the number of persons comprised in this class. He assumed that all income-tax assesses in this class were persons who lived on lending money to rural classes, while the evidence before the Committee shows that the urban money-lender generally fights shy of the agriculturist. He assumed profits on money-lending at 12½ per cent. while the Income-tax Officer in Ajmer-Merwara is definitely of opinion that "the

indigenous money-lenders in rural areas earn not more than 9 per cent. per annum and in the urban areas not more than 6 per cent., as a loan generally remains unpaid to a great extent ”.

At the census of 1921 the number of persons dependent on banking and money-lending in Ajmer-Merwara was estimated at 5,949 of whom the actual male workers numbered only 1,920, and 490 of these were classed in the census as partial agriculturists. The number of income-tax assesses in 1921, both in rural and urban areas of Ajmer-Merwara, was only 21, and the income assessed by the Income-tax Department amounted to only Rs. 2,14,778. The number of persons who paid income-tax in that province in 1916-17 was only 172, and assuming that the number of persons having an income of between Rs. 1,000 and Rs. 2,000 remained the same in 1921, the total earnings of this class cannot be estimated at higher than Rs. 2,27,000. According to Mr. Calvert's estimate, out of 2,455 male workers among the banking and money-lending class in 1911, somewhere about 600 had incomes between Rs. 500 and Rs. 1,000; and assuming that the proportion of this class to the total number remained the same in 1921, the total income of this class in 1921, cannot be estimated at higher than Rs. 2,61,750. The annual income of the remaining persons was estimated by Mr. Calvert at an average of Rs. 200 a year; and on this basis the total income of the remaining 909 persons would approximately amount to Rs. 1,81,800. This means that the total income of urban and rural money-lenders in 1921 was in the neighbourhood of 9 lakhs. In 1921, the ratio of urban incomes to rural incomes assessed by the Income-tax Department was Rs. 1,85,471 : Rs. 29,307, i.e., 1000 : 158. Making allowance for a portion of the earnings of the city money-lenders of Ajmer-Merwara from loans to the rural population, the proportion of income derived from money-lending in the urban areas to the income derived from money-lending in the rural areas cannot fairly be estimated at higher than 4 : 1, which reduces the income of the professional money-lenders in rural areas to about Rs. 1,80,000, a figure which is less than $\frac{1}{3}$ th of Mr. Calvert's estimate. Taking the maximum estimate by the Income-tax Officer, Ajmer, of the rate of realised income, this will indicate a total *open* rural debt due to money-lenders of only Rs. 20 lakhs and not Rs. 120 lakhs as assumed by Mr. Calvert.

This estimate based on Mr. Calvert's method and the figures supplied by the Income-tax Department is open to the obvious objection that it assumes (a) that the whole of the indebtedness of the agriculturist in the rural areas is due to the professional money-lender, (b) that the entire income of the rural money-lender in Ajmer-Merwara is interest on loans to agriculturists and (c) that a substantial part of the income from banking and money-lending of the income-tax assessee is not derived from business outside Ajmer-Merwara. As these assumptions are not supported by the general trend of the evidence we have received and the statistical material we have collected, we consider it unsafe to make an estimate of the total rural indebtedness of Ajmer-Merwara on the basis of the income-tax figures.

22. A more scientific method for estimating rural indebtedness is what is known as the sampling method.

Sampling Method. The Committee requested the Local Administrations to select a certain number of typical villages for a survey of economic conditions in general and indebtedness in particular. It was not possible to choose any other agency than the village revenue staff in the first instance, but very detailed instructions on each point were issued by the Indian Economist on the Committee and the Local Administrations were kind enough to direct the Tehsildars and the Revenue Assistants to explain these instructions to their subordinates and to check their work. A member of the Committee toured in the North-West Frontier Province for nearly a month in order to check how the work was being done, but he reported that the lower revenue staff had misunderstood the instructions in several important particulars and had to be asked to correct the entries filled in the forms sent out. The corrected entries have been used for analysis in this chapter, adequate allowance being made for such mistakes due to misunderstanding of revised instructions as could be easily detected from the entries made; but owing to the delay in receiving the material it was not possible for the Committee to send round a responsible officer to check the entries again. The villages selected by the Administration in the North-West Frontier Province were generally big villages, but this does not detract from the value of the statistical material as the number of samples of different classes of the

rural population is fairly large. The villages selected by the Local Administration in Delhi and Ajmer-Merwara appeared to be fairly typical of the various district economic tracts of these provinces. In Delhi, the work of the *patwaris* was not only supervised by a superior revenue officer selected by the Deputy Commissioner, but the Sadar Qanungo and the Inspector of Co-operative Societies toured round and corrected mistakes similar to those detected by the Indian Economist in his visit to two of the selected villages. The work in Ajmer-Merwara was also done satisfactorily; not only the Tehsildars were keen on thoroughness but the Extra Assistant Commissioner, Beawar, and the Naib Tehsildar, Ajmer, whose whole time services were placed by the Administration at the disposal of the Committee, spared themselves no pains in keeping themselves in close touch both with the Indian Economist on the Committee and the *patwaris* in the villages and in making the entries in the forms issued by the Committee as accurate as could reasonably be hoped for within the time available.

In most of the villages, the enquiry embraced the *entire* population *resident* in the villages. In a few the non-cultivating and landless classes have been omitted. Out of 3,162 families in 20 villages of Ajmer-Merwara selected for intensive survey, 2,912 families are agriculturist proprietors and tenants*, and out of the remaining 250 families 9 are landless *mahajans* and 241 landless labourers and artisans. In Delhi the enquiry embraced 759 families in 14 selected villages, of which 673 belonged to the class of agriculturist proprietors and tenants, 72 to the class of landless labourers and artisans and 14 to the *mahajan* class. In the North-West Frontier Province the total number of families in 16 villages under investigation was 10,482, of which 5,191 were landed proprietors, 3,141 were tenants, 2,003 were families of landless labourers and artisans, and 147 were landless shopkeepers and money-lenders. The number of families of each class of rural population in the villages selected for enquiry was thus sufficiently large for a fair estimate to be made for the whole of these three provinces.

How far the villages taken up are fair geographical samples of Ajmer-Merwara, Delhi and the North-West

* Including *mahajan* proprietors and tenants.

Frontier Province is evident from the following list which gives the name of each village and the tehsil or the circle in which it is located :---

Ajmer-Merwara.

Beawar Tehsil.

<i>Villages.</i>	<i>Villages.</i>
1. Rajiawas.	4. Balad.
2. Bar.	5. Rawatmal.
3. Sarmalian.	6. Rupnagar.

Todgarh Tehsil.

1. Banjari.	3. Dansaryan.
2. Bhagwanpura.	4. Bagar.
	5. Baghana.

Ajmer Sub-Division.

1. Makrera.	5. Jaswantpura.
2. Nayran.	6. Sarana.
3. Chat.	7. Lavera.
4. Sanod.	8. Galti.

Kekri Sub-Division.

1. Kekri.

Delhi Province.

<i>Villages.</i>	<i>Circle.</i>
1. Jhingola	} Chak Khadar.
2. Akbarpur Majra	
3. Mohammadpur Majri	} Chak Bangar.
4. Nangloi Sayyad	
5. Deorala	} Chak Dabar.
6. Jafarpur Kalan	
7. Shahpur Jat	} Chak Khandrat.
8. Masjid Moth	
9. Rajpur Khurd	} Chak Kohi.
10. Jonapur Khurd	
11. Dalupra	} Chak Shahdara.
12. Silampur	

North-West Frontier Province.

<i>Villages.</i>	<i>Tehsil.</i>	<i>District.</i>
1. Chamkani	Peshawar	} Peshawar.
2. Pabbi	Nowshera	
3. Shabkadar	Charsadda	
4. Meyar	Mardan	
5. Manki	Swabi	
6. Lachi	Teri	} Kohat.
7. Hangoo	Hangoo	
8. Billitang	Kohat	
9. Dhamtour	Abbottabad	} Hazara.
10. Kot Najibulla . . .	Haripur Hazara	
11. Punon Dheri	Mansehra	
12. Ghoriwala	Bannu	} Bannu.
13. Shahbas Khel	Marwat	
14. Potah	Dera Ismail Khan	} Dera Ismail Khan.
15. Maddi	Kulachi	
16. Gul Imam	Tank	

23. In order to understand the full implications of the figures in the following paragraphs, it is necessary to explain the meaning of the terms used.

Explanation of the term "free from debt". Families classed as "*free from debt*" include not only those who are *absolutely* free from debt but also those who have lent more than they have borrowed or as much as they have borrowed. "Indebted" families are distinguished from "*really indebted families*" by excluding from the former those who have lent as much as, or more than what they have borrowed. "*Net debt*" of "*indebted*" or "*really indebted*" families means gross debt *minus* the amount lent by these families.

24. The intensive surveys of the indebtedness in these selected villages yield the following results:—

Results of intensive survey.

NORTH-WEST FRONTIER PROVINCE.

Analysis of Indebtedness in 16 selected villages.

Class of families.	FAMILIES ENTERED.		INDEBTED FAMILIES.			REALLY INDEBTED FAMILIES.				
	No.	Gross debt per family.	No.	Gross debt.	Gross debt per family.	No.	Gross debt.	Gross debt per family.	Net debt.	Net debt per family.
		Rs.		Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
Land Owners in 16 villages .	5,191	428.2	2,633	22,22,801	842.6	2,467	21,42,859	868.6	18,71,440	758.5
Tenants	3,141	138.6	1,641	4,35,308	265.2	1,618	4,12,242	254.8	3,48,422	215.3
Landless labourers	2,003	171.6	907	3,43,696	378.9	906	3,43,596	379.2	3,43,596	379.2
Landless shop-keepers	147	1,101.5	89	1,61,924	1,819.4	62	21,35,328	2,182.7	62,449	1,007.2
All families	10,482	301.7	4,976	31,63,729	635.6	4,756	30,32,925	637.7	26,24,607	551.9

DELHI PROVINCE.

Indebtedness in 14 villages selected for intensive survey.

Villages.	No. of families entered.	GROSS DEBT.			Gross debt per family.	No. of indebted families.	Gross debt per indebted family.	THOSE WHO HAVE LENT MORE THAN THEY BORROWED.	
		Mortgage.	Open.	Total.				No.	Amount.
1. Jhingola	27	5,057	26,174	31,231	1,156	27	1,157	..	..
2. Akbarpur Majra	25	1,930	13,225	15,155	606	19	797	..	..
3. Mohammadpur Majra	25	16,079	15,000	31,079	1,267	12	2,039	..	..
4. Nangloi Sayyad	56	11,072	27,125	38,197	682	52	735	..	..
5. Deo Bala	26	13,538	15,524	29,062	1,117	23	1,203	..	..
6. Jafarpur Khurd	71	8,962	25,905	34,867	491	61	572	9	2,625
7. Rajpur Khurd	31	7,646	8,621	16,267	524	28	707	2	20
8. Jonapur	37	4,562	53,562	60,124	897	37	897	..	..
9. Shahpur Jat	95	58,520	1,39,943	1,98,463	2,089	85	2,334	6	9,600
10. Masjid Moth	28	7,300	42,585	49,885	1,779	19	2,628	..	..
11. Dalupura	57	2,860	15,310	18,170	319	56	324	4	879
12. Silampur	49	..	24,965	24,965	509	42	594	..	..
13. Nangli Sakravati	70	833	82,900	83,808	488	69	490	..	..
14. Hauz Bani	132	82,173	36,334	68,507	519	108	634	3	2,769
TOTAL	759	1,73,182	4,77,143	6,50,325	857	668	981	24	15,893
TOTAL EXCLUDING 9 AND 10 .	636	1,07,362	2,94,665	4,02,027	632	559	719	18	6,293

(Concluded.)

Villages.	No. of families.	THOSE WHO HAVE BORROWED AND LENT EQUALLY.		DEDUCTIONS ON ACCOUNT OF FAMILIES WHO HAVE LENT AS MUCH AS OR MORE THAN THEY HAVE BORROWED.		No. of really free families.	No. of really indebted families.	Gross debt of really indebted families.	Gross debt per really indebted family.	Net debt of really indebted families.	Net debt per really indebted family.
		No.	Amount.	No.	Amount.						
			Rs.		Rs.			Rs.	Rs.	Rs.	Rs.
1. Jhangola	27	..	..	..	..	..	27	31,231	1,156	31,231	1,157
2. Akbarpur Majra	25	..	..	..	..	6	19	15,155	797	15,155	797
3. Mohammadpur Majri	25	..	..	..	..	13	12	31,679	2,639	30,926	2,577
4. Nangloi Sayyad	56	..	..	..	..	4	52	38,197	735	38,197	735
5. Deo Rala	26	..	..	..	..	3	23	29,062	1,263	29,062	1,263
6. Jafarpur Kalan	71	..	..	9	2,625	19	52	32,242	620	30,294	583
7. Hajpur Khurd	31	..	..	2	20	10	21	16,247	774	15,747	760
8. Jonapur	67	..	..	..	..	..	67	60,124	897	60,124	897
9. Shahpur Jat	95	1	100	7	9,700	17	78	1,83,743	2,355	1,73,843	2,228
10. Masjid Moth	28	..	..	..	..	9	19	49,835	2,623	49,835	2,623
11. Dallupura	57	..	..	4	879	5	52	18,170	349	16,222	312
12. Silampur	49	..	..	..	..	7	42	24,965	594	24,965	594
Nangli Sakrawati	70	1	150	1	150	2	68	33,653	495	33,178	487
14. Hauz Bani	132	..	..	3	2,769	27	105	65,738	626	56,150	535
TOTAL	759	2	250	26	16,143	122	637	6,30,191	989-3	6,04,920	949-6
TOTAL, EXCLUDING 9 AND 10	636	1	150	19	6,443	96	540	3,96,613	734-4	3,81,351	706

Indebtedness of proprietors and cultivators in 14 villages of Delhi.

Total No. of families entered.	Gross debt per family.	No. of families really free from debt, i.e., those who are absolutely free + those who have lent more than they have borrowed + those who have lent and borrowed the same amount.	Gross debt per really indebted family.	Net debt per really indebted family.
873	Rs. 909-3	103	Rs. 973	Rs. 884-9

AJMER-MERWARA.

Indebtedness in 20 villages selected for intensive survey.

Serial No.	Names of villages.	No. of families entered.	GROSS DEBT.			Gross debt per family.	No. of indebted families.	Gross debt per indebted family.	FAMILIES WHO HAVE LENT MORE THAN THEY HAVE BORROWED.	
			Mortgage.	Open.	Total.				No.	Amount borrowed.
1	Rupnagar	111	580	18,696	19,226	178-2	77	249-6	8	709
2	Lavera	84	7,419	61,387	68,806	819-1	76	905-8	2	900
3	Balad	140	10,272	24,376	34,648	249-6	75	405-9	1	300
4	Bar	87	3,653	24,927	28,580	322-5	71	308-2	4	510
5	Rajlawas.	241	7,155	45,358	52,513	245-4	164	320-2	5	2,500
6	Chat	89	4,958	82,577	87,535	962-4	82	1173-0	1	197
7	Nayran	184	7,564	76,761	84,325	629-3	87	969-2	9	8,300
8	Bagar	153	23,016	43,303	66,319	433-4	131	506-2	8	4,390
9	Sarana	98	2,425	32,992	35,417	361-4	77	469-9	11	4,320
10	Dansaryan	98	20,361	39,435	59,796	610-1	92	649-9	18	30,190
11	Makrera	225	12,640	1,51,745	1,64,385	780-5	167	984-3	4	8,189
12	Baghana	169	17,032	35,714	52,746	309-2	116	438-3	13	7,031
13	Bawatmal	108	9,431	33,390	42,821	447-4	32	539-2	6	1,190
14	Jaewatpura	50	575	11,552	12,127	242-5	36	338-8	11	10,265
15	Sanod	212	7,279	1,25,152	1,32,431	624-6	179	730-8	6	3,075
16	Banjari	143	20,272	58,206	78,478	518-8	130	565-2	6	1,655
17	Bhagwanpura	59	47,358	47,358	94,716	802-6	53	895-2	3	640
18	Gaiti	108	5,105	46,353	51,458	478-4	88	584-5	112	63,456
19	Sarmallan	60	1,930	32,591	34,521	548-2	68	561-9		
20	Kekri	348	32,142	1,35,272	1,67,414	198-6	613	273-1		
	TOTAL	3,182	1,93,759	10,73,715	12,67,474	400-8	2,404	527-2	223	152,317

(Concluded.)

Serial No.	Name of village.	WHO LENT AND BORROWED EQUALLY.		TOTAL DEDUCTION ON ACCOUNT OF FAMILIES WHO ARE NOT REALLY INDEBTED.		No. of really indebted families.	No. of really free families.	Gross debt of really indebted families.	Gross debt per really indebted family.	Net debt of really indebted families.	Net debt per really indebted family.
		No.	Amount.	No.	Amount.						
			Rs.		Rs.						
1	Rupnagar . . . . .	..	..	8	709	60	42	13,517	268-3	18,125	262-6
2	Lavera . . . . .	..	..	2	900	74	10	67,996	917-5	67,706	916-2
3	Balad . . . . .	..	..	1	300	74	60	34,648	457-7	34,648	457-5
4	Bar . . . . .	..	..	4	510	67	20	27,770	414-5	27,420	409-1
5	Rajawas	1	100	6	2,600	159	89	49,313	316-5	49,374	312-4
6	Chat . . . . .	..	..	1	197	31	8	37,338	932-6	37,116	970-7
7	Nayran . . . . .	..	..	..	..	87	47	84,325	969-9	83,235	959-7
8	Bagar . . . . .	..	..	9	8,300	122	31	58,019	475-6	55,481	454-7
9	Sarana	2	1,500	10	6,090	67	31	29,327	460-1	28,097	410-1
10	Dansaryan	1	100	12	6,420	86	18	50,376	839-6	47,311	591-3
11	Makrera . . . . .	..	..	18	30,190	149	76	1,34,195	900-6	1,22,455	841-3
12	Baghana . . . . .	..	..	4	8,189	112	57	42,557	379-9	38,096	346-5
13	Rawatmal	1	200	14	7,231	88	40	41,090	604-2	40,038	588-7
14	Jaewantpura . . . . .	..	..	6	1,190	30	20	10,937	364-6	10,927	364-2
15	Banod	1	150	12	10,415	137	45	1,22,016	730-6	1,19,540	715-8
16	Banjari . . . . .	..	..	6	3,075	124	19	70,403	567-8	68,333	551-07
17	Bhagwanpura . . . . .	..	..	7	..	58	6	47,358	893-5	47,358	893-5
18	Gaiti	1	900	7	1,855	81	27	49,603	504-4	39,877	504-4
19	Sarmalian . . . . .	..	..	3	540	55	5	32,051	582-7	31,651	582-7
20	Kekri . . . . .	..	..	112	69,456	501	342	1,03,958	207-5	71,418	207-5
	TOTAL	7	2,350	235	1,55,187	2,169	993	11,12,307	512-8	10,40,802	470-3

Estimating the indebtedness of the proprietors (including mortgagees) and tenants of the North-West Frontier Province separately as well as that of the whole of its rural population on the basis of this analysis of indebtedness in the selected 16 villages, the results are indicated in the calculations set out below :—

I.—*All families*—

A. Rural population of North-West Frontier Province	Rs.	1,915,491
Average size of rural family		5·1
Gross debt per member of a household according to the result of intensive survey of 16 villages		$\frac{301·7}{5·1}$
Gross debt of the whole rural area of the province	Rs.	11,33 lakhs.
B. Proportion of population really indebted		$\frac{4,756}{10,482}$
Net debt per member of really indebted household	Rs.	$\frac{551·9}{5·1}$
Net debt of the really indebted population of the rural areas	Rs.	9,40 lakhs.

II.—*Landowners*—

A. Landowners of the province	Rs.	7,45,351
Gross debt per member of landowners' household	Rs.	$\frac{428·2}{5·1}$
Gross debt of all landowners of the province	Rs.	6,26 lakhs.
B. Proportion of landowning classes really indebted		$\frac{2,167}{5,191}$
Gross debt per member of really indebted household of landowners	Rs.	$\frac{868·6}{5·1}$
The gross debt of really indebted landowners of the province	Rs.	6,03 lakhs.
Net debt per member of really indebted household of landowners	Rs.	$\frac{758·5}{5·1}$
Net debt of really indebted landowners of the province	Rs.	5,27 lakhs.

III.—*Tenants*—

A. Number of tenants in the province including 'agents', farm servants and field labourers		727,777
Gross debt per member of a household of tenants	Rs.	$\frac{138·6}{5·1}$
Gross debt of all tenants of the province	Rs.	1,98 lakhs.

III.—Tenants—contd.

B. Proportion of tenants really indebted	1,618
	<u>3,141</u>
Gross debt per member of really indebted household of tenants Rs.	254·8
	<u>5·1</u>
Gross debt of really indebted tenants of the province Rs.	1,87 lakhs.
Net debt per member of really indebted household of tenants Rs.	215·3
	<u>5·1</u>
Net debt of really indebted tenants of the province Rs.	1,58 lakhs.

Similar calculations for the rural area of the Delhi Province on the basis of the results of intensive survey in 14 villages lead to an estimate of Rs. 366 lakhs for its gross debt and of Rs. 341 lakhs for its net debt. But if we exclude Shahpur Jat and Masjid Moth as being exceptional villages from the point of view of indebtedness, the estimate of gross debt of the rural population of the province is reduced to Rs. 270 lakhs and that of the net debt to Rs. 256 lakhs.

The gross debt per family of proprietors and cultivators in these fourteen villages is Rs. 909·3 and the net debt per family of this class is Rs. 884·9. At the census of 1921 the total number of persons depending on income from rent of land was 4,764 and that of ordinary cultivators and dependants was 1,18,486; while the average size of the family in rural Delhi was 4·3. The total gross debt of the agriculturists of this province works out on this basis to Rs. 261 lakhs; and their net debt comes to Rs. 254 lakhs.

For Ajmer-Merwara, the results of intensive survey indicate the average gross debt per family of Rs. 400·8 and a net debt per family of Rs. 329·1. On the basis of census figures for 1921 this means a gross debt of Rs. 314 lakhs and a net debt of Rs. 258 lakhs. The gross debt per family of owners and cultivators is Rs. 398 and multiplying this by the total number of agriculturist families at the census of 1921 the total debt of the agriculturists of the province comes to Rs. 272 lakhs.

25. By far the most satisfactory method of getting at the real indebtedness of the rural population is to have an extensive survey of all the villages in the province. The village staff in Ajmer-Merwara and Delhi had at the desire of the Committee undertaken

Extent of indebtedness based on Extensive Survey.

this, but it has not been possible to arrange for checking their work except in a very limited number of cases. Generally, the figures of mortgage debt and the debt owed to co-operative societies were found to be correct, but the *patwari's* estimate of the open debt was occasionally found to be a slight under-estimate, for which an allowance of about 5 per cent. may well be made. In some cases the *patwaris* have omitted the landless class altogether, so that the estimates lack completeness. None the less they give a more correct view of the whole than indirect methods of making an estimate of indebtedness. In Delhi the enquiry embraced 24,341 families in 295 occupied villages of the province, consisting of 23,696 families of land owners and tenants, 279 families of landless *mahajans* and 366 families of landless labourers and artisans. Out of these as many as 11,916 families are absolutely free of debt, 756 have lent more than they have borrowed and 5 have lent and borrowed equal amounts, so that *52.08 per cent. of these families are really free from debt.* Of the total number of 23,696 proprietors and tenants, 12,193 or 51.45 per cent. are really free from debt. Among the landless class, the *patwaris'* enquiries were limited to 279 families of *mahajans* and 366 families of landless labourers and artisans. Of these, only 24 mahajan families and 137 families of landless labourers are indebted. The total gross debt of 12,425 indebted families is Rs. 1,00,48,207; but of these, 761 families have lent either as much as or more than they have borrowed, and the net debt of the remaining 11,664 really indebted families is Rs. 96,77,844. All the landed proprietors and tenants have been included in the enquiry. The number of indebted families among them is 12,194 and their net debt is Rs. 95,73,304, of which the mortgage debt is Rs. 42,41,854. At the census of 1921, the total number of workers and dependants in rural areas, other than those who are rent receivers and ordinary cultivators, was only 60,518. The intensive enquiries in 14 villages of Delhi suggest a probable decrease of 3 per cent. in the rural population; and a fair allowance for this will reduce the strength of the landless class to 58,703. Of the 366 families of landless labourers under investigation, only 137 were found to be in debt and that to the extent of Rs. 82,504. Assuming that 58,703 non-agriculturists including *mahajans* are no better off than landless labourers, it indicates for this class a gross debt

of Rs. 30,77,129. The total gross debt of the rural population of the Delhi Province cannot thus exceed Rs. 1,30,42,832 and the net debt is well under Rs. 1,26,50,433.

In 511 villages of the Khalsa area of Ajmer-Merwara enquiries were made into the indebtedness of every proprietor and cultivator and the results obtained are summarised below :—

Circle.	No. of families.	Mortgage.	Gross debt simple.
<i>I.—Beawar Tehsil.</i>			
		Rs.	Rs.
1. Jawaia	2,582	2,03,539	10,52,333
2. Nayanagar	2,814	1,56,299	11,32,982
3. Chang	2,028	1,30,160	7,72,313
4. Kalinjar	2,804	2,36,618	8,66,399
TOTAL .	10,228	7,26,616	36,24,027
<i>II.—Todgrah Tehsil.</i>			
1. Bhiem	3,271	5,86,317	10,33,560
2. Baghana	2,413	4,35,867	5,18,169
3. Bali	2,825	2,66,673	9,14,390
TOTAL .	8,509	12,88,857	24,66,119
<i>III.—Ajmer-Tehsil.</i>			
1. Ramsir	2,698	65,775	12,74,447
2. Pushkhar	2,882	1,23,285	13,50,987
3. Gugwana	3,168	1,39,608	11,30,857
4. Jethana	3,637	2,03,097	26,62,228
5. Srinagar	3,145	2,26,491	19,41,867
6. Derathu	2,678	1,96,765	19,46,742
TOTAL .	18,208	9,55,016	1,03,07,128
<i>IV. Keleri</i> .	690	14,950	1,52,464
GRAND TOTAL .	37,635	29,85,438	1,67,49,738

This indicates a gross debt of Rs. 519·4 per family of the agriculturists. We have no means of knowing the indebtedness of the agriculturists in the *Istimrari* area; but if the bold assumption be made that they have the same credit and facilities for borrowing as those in the *khalsa* area, the gross debt of the agriculturists in the whole province can be obtained by multiplying the average gross debt per family with 68,294, the total number of agriculturists' households at the census of 1921. This means a gross debt of Rs. 3,54,71,803 for the agriculturists as a class.

At the census of 1921 there were 10,205 rural families of persons who were neither owners nor cultivators of land. We have no complete information regarding the indebtedness of this class but since 3,791 of the landless labourers' families in 509 villages of the *khalsa* area included in our investigation had a debt of Rs. 11,71,639, we are justified in believing that the total net debt of this class (which includes village *mahajans*) in the whole of Ajmer-Merwara, cannot exceed Rs. 31,54 thousands. This is clearly an overestimate since the average debt per family of *mahajans* (including free as well as indebted families) is only Rs. 154, as against Rs. 424·1 for landless labourers included in our extensive survey of 509 villages. The gross debt for the whole of the rural population of Ajmer-Merwara is thus appreciably below Rs. 386 lakhs.

We have been able to examine in greater detail the separate entries, in the forms sent out by us, against 42,953 families in 509 villages, of which 37,487 are families of landed proprietors and cultivators out of a total of 37,635 agriculturists' families in the *khalsa* area containing 511 villages included in the extensive survey. For convenience of reference, we give below the general summary of the results of our scrutiny :—

509 villages of Ajmer-Merwara, including 20 villages of intensive Survey.

Number of Villages.	Number of families.	Total No. of families really free from debt.	Gross debt of indebted families.	Net debt of really indebted families.	Net debt of really indebted owners, cultivators and tenants.	Total No. of families of owners, cultivators and tenants really free from debt.	Mortgage debt for All.	Open debt for all (gross debt).	Net debt of really indebted <i>Mahajans</i> .	Gross debt for other landless families (i.e., excluding <i>Mahajans</i>).	Net debt for other landless families (excluding <i>Mahajans</i>).
			Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.	Rs.
509	42,953	9,451	2,19,98,133 (for 35,623 families).	1,86,24,578 (for 33,472 families).	1,73,96,672 (for 30,827 families).	6,660	53,40,438	1,66,47,695	2,49,402 (for 313 families out of 1,875).	11,71,639 (for 2,314 indebted families out of 3,741).	9,81,504 (for 2,314 families out of 3,741).

It will be noticed that of these 42,953 families, only 35,613 are indebted to any extent and their gross debt is Rs. 2,19,98,133. Deducting the amount lent by the indebted families, the number of really indebted families is reduced to 33,472 and their net debt to Rs. 1,86,24,578. In other words, 7,340 families or 17·1 per cent. are absolutely free from debt, 2,141 or 4·9 per cent. have lent more than they were borrowed or lent the same amount as they have borrowed, and 9,411 or 22 per cent. of 42,953 families are really free from debt. Of 37,487 families of landed proprietors and cultivators, included in this, 6,660 or 17·8 per cent. are absolutely free from debt, which means for this class a slightly higher percentage of families absolutely free from debt than for 42,953 mixed families as a whole. The *net* debt of 30,827 really indebted families among them is Rs. 1,73,93,672. Out of 3,741 families of landless labourers, included in the total of 42,953 families, only 2,314 are in debt and that to the extent of Rs. 9,81,504 net debt. Of 1,675 *mahajans* families under investigation, only 313 are really in debt, and their *net* debt amounts to Rs. 2,49,402.

The salient points brought out by this elaborate enquiry may then be summarised as follows :—

- (i) The proportion of families *really* free from debt is appreciably higher than that of those who are absolutely free from debt. 17·1 per cent. of the total rural population is absolutely free from debt and 22 per cent. *really* free from debt.
- (ii) The percentage of indebted families is *highest* among proprietors and cultivators of land and *lowest* among the *mahajans*. The landless labourers stand between the two.
- (iii) The net debt per *really* indebted family is Rs. 796·8 for the *mahajans*, Rs. 564·3 for proprietors and cultivators of land and Rs. 424·1 for landless labourers.

It looks at first sight a surprising fact that the most heavily indebted families should be the *indebted mahajans*. With a view to test this further, a more detailed examination was made of the figures relating to *mahajan* families in as many as 186 out of these 509 villages.

The result is indicated below :—

Analysis of figures relating to really indebted mahajans in 186 villages of Ajmer-Merwara.

No. of Villages.	No. of families of mahajans.	Really indebted families of mahajans.	Gross debt of really indebted mahajans.	Net debt of really indebted mahajans.
50	67	13	22,452	12,752
50	56	12	42,400	34,600
50	200	39	1,23,900	83,270
36	94	16	15,592	15,592
186	417	80	2,04,344	1,46,214

Gross debt per really indebted family of mahajans.

Rs.

2,554·3

Net debt per really indebted family of mahajans.

Rs.

1,827·7

26. We are now in a position to compare the estimates of rural indebtedness of Ajmer-Merwara, Delhi and the North-West Frontier Province on the basis of the different methods described in the foregoing paragraphs. The tables given below bring out clearly the wide range of differences in these estimates of indebtedness.

Comparison of indebtedness in the three Areas.

Rural Indebtedness in Ajmer-Merwara.

	Mr. Darling's method.	Mr. Darling's method corrected by Registrar's figure of total average debt for members who can be considered as average families of the villages.	Mr. Calvert's estimate in 1918.	Sampling method on the basis of intensive survey.	On the basis of extensive survey in 511 villages.
Whole rural population.	Rs. 593* lakhs.	Rs. 219 lakhs†.	Rs. 200 lakhs.	Rs. 314‡ lakhs (gross debt) (a). 258 lakhs (net debt) (b).	Rs. 886§ lakhs (gross debt).
Proprietors and cultivators.	..	..	..	272 lakhs (gross debt).	555 lakhs (gross debt).

* See page 35.

† See page 39.

‡ See page 54.

§ See pages 56—57.

Delhi Province.

—	Mr. Darling's method.	Sampling method.	Extensive survey in 295 occupied villages.
Whole rural population	Rs. 239 lakhs†.	Rs. (a) 360 lakhs (gross debt)*. (b) 270 lakhs (gross debt)†. (a) 341 lakhs (net debt)*. (b) 256 lakhs (net debt)†.	Rs. 130 lakhs ‡ (gross debt). 126 lakhs (net debt).
Proprietors and cultivators.	....	261 lakhs (gross debt). 254 lakhs (net debt).	96 lakhs (net debt).

* On the basis of figures for 14 villages. See pages 48—54.

† On the basis of figures for 12 villages, excluding Shahpur Jat and Masjid Moth.

‡ See page 39.

§ See page 55.

North-West Frontier Province.

—	Mr. Darling's method.	Sampling method.
Whole rural population	891 lakhs*.	11.33 lakhs (gross debt)†. 940 lakhs (net debt).
Proprietors and cultivators . . . . .	..	824 lakhs (gross debt). 685 lakhs (net debt).

* See page 31.

† See page 53.

27. We have already pointed out the objections which can legitimately be urged against the estimates based on Mr. Darling's method. Even if we substitute for the total debt per member of the co-operative societies the average debt per *average* family of the villages in the co-operative movement, the estimate will be correct only so far as the staff of the co-operative movement has succeeded in judging rightly who can fairly be regarded as the average families in the villages. The sampling method should no doubt give us much better results, but in the case of Delhi the extensive survey clearly suggests that the villages selected were not at all representative villages from the point of view of *indebtedness*; for while the extensive survey of Delhi shows that as many as 52.08 per cent. of the total and 51.5 per cent. of the families of proprietors and tenants are really free from debt, the proportion of *really* indebted families to the total in the 14 villages selected for intensive survey, is

Observations regarding Darling's method of estimating indebtedness.

as high as 637 : 759, *i.e.*, nearly 83.9 per cent. Obviously the villages selected are far more heavily indebted than the *average* village in the Delhi Province.

Three out of 14 villages are such that not even one family out of those under investigation is free from debt. We are inclined, therefore, to consider that the extensive survey has given us a far more correct result in spite of the fact that most of the returns have not been checked as well as we wished them to have been done. A margin of 5 per cent. for a probable under-estimate of the open debt is a sufficient allowance for all possible errors in the case of Delhi. As for Ajmer-Merwara, the extensive survey includes *every* proprietor and cultivator in the non-*istimrari* area, and we believe that for the *khalsa* area the figures are as nearly correct as it is reasonable to expect in enquiries of this sort. In this case we are satisfied that the superior revenue officers have done every thing humanly possible to have the entries in the forms correctly filled in. But our estimate for the *istimrari* area is purely a guess work, as we could not make any enquiries in the villages included in that area. The general conditions in the *istimrari* areas and the peculiar laws governing *istimrardars* raise a presumption against the assumption that the credit of the owners and cultivators and the facilities available to them for borrowing are the same as those in the *khalsa* area. We are inclined, therefore, to conclude that the correct estimate of the total indebtedness of the whole of the rural population in Ajmer-Merwara, including landless labourers, is somewhere near the arithmetical mean between Rs. 3,86,26,004, the figure shown by the extensive survey, and Rs. 2,18,55,485, the estimate based on Mr. Darling's method corrected by the substitution of the average debt of an average family of the village in the co-operative movement for the average total debt per member of the co-operative societies. In other words, the total rural debt is about 3 crores for Ajmer-Merwara.

In the case of the North-West Frontier Province, we have no better method available than the sampling method; the number of families taken is fairly large and the areas from which the families under investigation have been selected are spread all over the province. Mr. Darling's method gives us for the North-West Frontier Province a lower estimate than the estimate of the gross debt on the

sampling method; but it should be remembered that in this case the co-operative statistics, which are the basis of the estimate, are drawn from only 2 tehsils in the province. The results given by the sampling method are, therefore, more likely to be nearer the truth, in spite of the fact that the results obtained by Mr. Darling's method err *generally* on the side of an over-estimate.

28. There is one very important deduction, however, to be made from these estimates, based on extensive or intensive enquiries made by us. The statistics relating to indebtedness were all collected during the months of November to February *before* the season for annual repayments towards outstanding loans commenced in March and April; and the indebtedness of the agriculturists, proprietors and cultivators, should, therefore, be presumed to have been at its highest then. It is reasonable to expect that the total debt of the agriculturists must have decreased in the months of March and April owing to annual repayments towards loans. And it may safely be presumed that the annual repayments towards loans include, in a normal year, the entire borrowing for cultivation and crop purposes *plus* some amount repaid towards loans borrowed for intermediate and long period purposes. The Registrar of Co-operative Societies, Ajmer-Merwara, stated in his written memorandum that the average working capital per member in the agricultural co-operative credit societies was Rs. 153, and estimated that on this basis the amount of capital required for (a) expenses during cultivation, (b) capital and permanent improvements, and (c) other special needs, *e.g.*, failure of monsoon, payment of land revenue, etc., for the total number of male workers (92,871) engaged in agricultural production in Ajmer-Merwara would be Rs. 1,42,09,263. According to the general trend of the evidence given in Ajmer-Merwara, very little, almost negligible amounts are borrowed for capital requirements and permanent improvements. And assuming that the working capital required by indebted families for (a) expenses of cultivation and (b) other special needs described above, is generally repaid to the creditors at the end of the year, this will indicate a reduction of the gross debt of 68,294 agriculturist families of Ajmer-Merwara by as much as

Rs. 1,15,80,549. This may, at first sight, appear to be an overestimate of the amount by which the debt of the agriculturists is *normally* reduced at the end of the season or the year, as part of the working capital required for cultivation purposes by the indebted families among the agriculturists might well be presumed to be *owned* capital. But the detailed results of the extensive survey of indebtedness indicate that this is anything but an overestimate. The total amount borrowed for various purposes by the agriculturists in 511 villages is Rs. 1,97,35,175; of this Rs. 14,81,473 were borrowed to meet the difficulties of famine and other distresses; Rs. 50,177 for payment of land revenue and rent; Rs. 34,06,679 for seed and manure; Rs. 60,772 for payment of wages to labourers; and Rs. 1,42,809 for petty trade; making a total in all of Rs. 51,41,910 for exclusively seasonal purposes. In addition to these amounts, the following were borrowed for purposes which required loans for intermediate terms:—

	Rs.
Purchase of plough cattle	17,14,768
Agricultural implements	1,230
Marriage and ceremonies	59,98,247
Education of children	6,295
Litigation	1,44,522
	<hr/>
TOTAL	78,65,062
	<hr/>

Assuming that not a single pie is paid every year towards repayment of old debt or towards loans for purposes which require long period loans, *e.g.*, purchase of land, and that the amount borrowed for purposes which require intermediate term loans are repaid by instalments spread over a period of 5 years, these figures suggest that the volume of annual repayments is Rs. 77,14,922 out of the total of Rs. 1,97,35,175. In other words, as much as 40 per cent. of the total gross debt is likely to have been reduced at the end of a normal year. The total gross debt of the agriculturists in the whole of Ajmer-Merwara including the *istimrari* area, estimated on the basis of the results of extensive survey is, as already said above, Rs. 3,54,71,803. Reducing this by 40 per cent., the *normal* debt of the agriculturist cannot exceed Rs. 2,13 lakhs.

Intensive enquiries in the villages of the Delhi Province suggest that similar deductions should be made from the gross debt, disclosed by the extensive survey, for the purpose of estimating the *normal* debt of the agriculturists in the province. The relevant figures are given below :—

DELHI PROVINCE INTENSIVE SURVEY.

Purposes of Loans.

Village.	SHORT TERM LOANS.							INTERMEDIATE TERM LOANS.			
	I.							II.			
	Fodder.	Seed and Manure.	Weeding and miscellaneous expenses on cultivation.	Land Revenue.	Maintenance.	Miscellaneous.	TOTAL.	Plough cattle.	Agricultural implements.	Litigation, Marriage and funeral ceremonies.	TOTAL.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Nangoli Sayyad	85	1,097	1,119	3,986	4,683	550	11,520	4,406	100	7,309	11,815
2. Shahpur Jat	66,402	..	..	..	48,555	114,957	4,718	..	24,565	29,283
3. Deorala	2,200	..	..	..	..	2,200	..	..	28,342	28,342
4. Nangli Sakravti	2,067	..	983	6,931	1,179	11,160	4,538	..	8,991	8,529
5. Jonapur	21,647	855	..	..	..	850	23,352	6,330	..	19,910	26,240
6. Jhangola	17,740	..	1,461	..	..	19,201	873	..	11,157	12,030
7. Mohamadpur Majri	1,620	7,259	8,879	..	..	13,500	13,500
8. Dalupura	14,670	14,670	..	..	2,270	2,270
9. Kaur Bani	13,986	13,986	..	8,348	13,872	22,220
10. Masjid Moth	150	..	14,785	14,935	500	..	8,100	8,600
11. Silampur	5,465	..	..	..	..	5,465	7,150	..	3,550	10,700
12. Rajpur Jhurd	847	..	..	1,240	..	1,587	1,040	..	6,827	7,867
13. Jafarpur Kalan	13,255	13,255	..	..	21,012	21,012
14. Akbarpur Majra	7,450	..	..	..	245	7,695	300	..	6,740	7,040
TOTAL	21,782	1,08,623	1,119	6,580	14,474	1,15,334	2,62,862	29,855	8,448	1,66,745	2,06,048

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(Concluded.)

Village.	LONG TERM LOANS.						IV. GRAND TOTAL of I, II, III	V. Unclassified.
	III.							
	Purchase of land.	Wells and sads.	Redemption of mortgaged land.	Buildings.	Old debts.	TOTAL.		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Nangoli Sayyad	725	947	3,729	554	6,097	12,052	85,387	2,810
2. Shahpur Jat	9,000	3,411	..	2,300	39,512	54,223	1,98,469	..
3. Deorala . . . . .	..	..	..	..	3,520	3,520	29,062	..
4. Nangli Sakravti . . . . .	..	1,365	..	200	12,549	14,114	33,808	..
5. Jonapur	250	..	..	1,500	8,782	10,532	60,124	..
6. Jhangola . . . . .	..	..	..	..	..	..	81,231	..
7. Mohamadpur Majri	300	..	..	..	9,000	9,300	81,079	..
8. Dalupura . . . . .	..	..	..	..	1,230	1,230	18,170	..
9. Haus Rani . . . . .	..	..	18,140	..	13,684	26,824	63,080	5,477
10. Masjid Moth	1,000	3,000	..	3,200	19,100	26,300	49,835	..
11. Silampur . . . . .	..	..	..	8,800	..	8,800	24,965	..
12. Bajpur Jhurd	3,920	..	..	..	2,893	6,813	16,267	..
13. Jafarpur Kalan . . . . .	..	..	..	..	..	..	34,867	..
14. Akbarpur Majra	420	420	15,155	..
TOTAL	15,195	9,143	18,369	16,554	1,16,387	1,74,128	6,42,088	8,287

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These figures indicate that as much as 41 per cent. of the total debt of these villages has been incurred for purposes which require working capital for only a few months, and should, therefore, be presumed to have been repaid at the end of the season or the close of the year, and that 31.9 per cent. of the total loans, required for intermediate terms, may be presumed to have been repaid by a limited number of annual instalments, say about five or six. Even if the entire amount, borrowed for purposes which usually require long term loans, remains absolutely unpaid every year, the total debt may fairly be presumed to have been reduced by over 46 per cent. of the total debt at the close of a normal year. The normal *net* debt at the end of March or April of proprietors and cultivators in Delhi cannot therefore exceed Rs. 51.5 lakhs* and that of the whole rural population of the Delhi Province is well below Rs. 85 lakhs.†

$$\frac{* 54 \times 95,73,704.}{100}$$

$$\dagger 51 + 34 = 85.$$

CHAPTER IV.

THE BURDEN AND EFFECT OF RURAL INDEBTEDNESS.

29. The real burden of debt varies not only with the nature of the debt but also with the assets of the borrowers.

Purposes of Loans. In the villages selected for intensive enquiries in Delhi the percentage of productive debt to the total varies between 69·5 to 7·5, and is on the whole about 40 per cent. of the total debt for the 14 villages taken together. The detailed figures for each purpose are reproduced in the statement given below :—

DELHI PROVINCE.

Purposes of loans.

Results of investigations in 14 villages of intensive survey.

Villages.	I. PRODUCTIVE.								
	Purchase of land.	Redemption of land.	Wells.	Plough cattle.	Fodder.	Seed and manure.	Agricultural implements.	Miscellaneous.	Land revenue and rent.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Jhangola . . .	..	..	..	878	..	17,740	..	..	1,461
2. Akbarpur Majra . . .	..	..	420	800	..	7,450	..	..	..
3. Mohamadpur Majri . . .	800	..	..	..	..	..	..	7,259	..
4. Nangloi Sayyad . . .	725	8,729	947	4,408	85	1,097	100	550	3,986
5. Deorala . . .	..	..	..	..	..	2,200	..	..	..
6. Jafarpur Kalan . . .	..	..	..	..	..	..	..	13,255	..
7. Bajpur Khurd . . .	8,920	..	..	1,040	..	847	..	..	..
8. Jonapur . . .	250	..	..	6,330	21,647	855	..	850	..
9. Shahpur Jat . . .	6,000	..	3,411	4,718	..	66,402	..	..	..
10. Masjid Moth . . .	1,000	..	3,000	500	..	..	..	12,985	150
11. Dallupura . . .	..	..	..	..	..	..	..	12,630	..
12. Silampur . . .	..	..	..	7,150	..	5,465	..	..	..
13. Nangli Sakraoti . . .	..	..	1,365	4,538	..	2,067	..	445	988
14. Haur Bam . . .	..	18,140	..	..	..	..	8,348	..	..

In the villages selected for intensive survey in the North-West Frontier Province, only 7·6 per cent. of the amount borrowed by owners and tenants is for purposes connected with cultivation of land, 4·9 per cent. for contracts and trade, 6·0 per cent. for the purchase of land and 2·1 for education, making in all 20·6 per cent. of the total for productive purposes. The landless families borrowed for the purchase of cattle to the extent of 3·8 per cent. of the total, 20·0 per cent. for business, ·5 per cent. for the purchase of land and ·4 per cent. for education. The detailed figures for each village will be found in the following tables :—

NORTH-WEST FRONTIER PROVINCE.

Purposes of loans.

Owners and Tenants only.

Villages.	PRODUCTIVE PURPOSES.				UNPRODUCTIVE BUT NECESSARY PURPOSES.		UNPRODUCTIVE AND PARTLY UNNECESSARY PURPOSES.	Total of (1), (2) and (3).	Amount unclassified by the Investigators.
	(1)	(2)	(3)	(4)	(5)	(6)			
	Total debt for cultivation such as purchase of seed, cattle, manure, etc.	Total debt for contracts, trade, etc.	Total debt for purchase of land.	Total debt for education.	Total debt for household expenses, famine, construction of houses.	Total debt for repayment of old debts and compound interest.	Total debt for marriage, litigation, etc.		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Lachi Bala	21,504	9,300	2,400	..	24,868	..	29,278	87,238	..
2. Mayar	1,025	..	500	..	25,405	..	88,925	1,15,855	8,298
3. Potah	20,113	..	17,570	1,220	9,486	6,789	8,890	59,008	..
4. Ghoriwala	17,935	..	40,098	..	79,862	19,669	77,826	2,35,185	849
5. Shabqadar	2,740	40,900	1,640	..	40,512	..	68,367	1,54,159	20,952
6. Billitang	11,023	22,244	1,035	..	21,075	1,237	28,477	85,091	2,533
7. Chamkani	1,012	535	1,300	800	15,274	150	19,424	87,995	1,070
8. Hango	10,804	2,832	12,130	..	1,10,378	..	49,039	1,85,273	1,400
9. Shahbazkhel	13,800	12,490	6,374	..	14,120	..	33,200	89,584	1,06,905
10. Pabbi	4,400	26,500	13,300	..	15,327	..	94,560	1,54,087	5,630
11. Maddi	23,308	..	21,316	4,810	1,09,985	1,57,560	93,745	4,10,704	..
12. Gul Imam	22,909	..	12,800	43,572	68,057	1,33,743	33,202	3,14,283	23,765
13. Manki	9,941	..	..	..	45,345	..	5,545	60,851	3,653
14. Dhamtour	1,900	..	..	..	1,33,347	21,515	46,385	2,03,147	61,982
15. Kotnajibullah	18,183	..	2,280	..	47,055	16,460	83,139	1,67,117	..
GRAND TOTAL	1,80,777	1,14,801	1,42,738	49,902	7,59,676	3,57,123	7,55,000	23,60,017	2,37,932
Percentage to the total of (1), (2) and (3)	7.6	4.9	6.0	2.1	32.2	15.1	31.9	..	..

NORTH-WEST FRONTIER PROVINCE.

Purposes of loans.

Landless families (labourers, shopkeepers, etc.) only.

Villages.	PRODUCTIVE PURPOSES.				UNPRODUCTIVE BUT NECESSARY PURPOSES.		UNPRODUCTIVE AND PARTLY UNNECESSARY PURPOSES.	Total of (1), (2) and (3).	Amounts unclassified by the Investigators.
	(1)				(2)		(3)		
	Total debt for purchase of cattle.	Total debt for business.	Total debt for purchase of land.	Total debt for education.	Total debt for household expenses, famine, construction of houses.	Total debt for repayment of old debts and interest.	Total debt for marriage, litigation, etc.		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Lachi Bala	1,550	1,910	..	..	5,505	..	10,010	20,935	00
2. Mayar . . . . .	..	..	..	..	1,422	..	3,943	5,365	..
3. Potah	10,023	..	1,240	20	2,986	2,656	710	8,806	..
4. Ghorlwala . . . . .	..	..	..	..	..	..	..	14,209	1,378
5. Shahqsar . . . . .	..	..	..	..	200	..	40	240	..
6. Billitang	94	22,405	..	..	5,592	..	4,040	32,701	1,545
7. Chamkani	2,450	2,854	..	..	6,140	..	8,273	17,523	..
8. Hangoo . . . . .	..	60,089	..	..	..	..	1,200	61,289	5,040
9. Shahbaskhel . . . . .	..	..	..	..	..	..	..	..	..
10. Fabbi . . . . .	..	..	..	..	..	..	..	..	21,150
11. Maddi . . . . .	..	..	..	..	1,904	10,295	3,550	21,809	8,942
12. Gul Imam	3,487	..	514	1,970	46,181	31,416	20,620	1,04,147	15,807
13. Manki . . . . .	..	..	..	..	..	..	..	..	..
14. Dhamtour . . . . .	..	..	..	..	..	..	..	..	..
15. Kotnajibullah . . . . .	..	..	560	..	27,680	..	1,80,783	1,59,082	100
GRAND TOTAL	17,004	88,058	2,814	1,990	98,659	50,307	1,81,374	4,40,375	64,620
Percentage to the total of (1), (2) and (3)	3.8	19.99	5	4	22.4	11.4	41.2

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Similar details for the villages in Ajmer-Merwara are given below and indicate that 29·3 per cent. of the total loans of the rural population is for productive purposes.

INTENSIVE SURVEY, AJMER-MERWARA.

Analysis of the purposes of loans according as they are productive, unproductive but necessary and unproductive and partly unnecessary.

Villages.	PRODUCTIVE PURPOSES. (1)								
	Purchase of land and improvement of waste land.	Purchase of cattle.	Seed, manure, etc.	On better implements.	Payment of rent and revenue.	Improvement of land, wells, etc.	Wages to be paid.	Petty trade.	On education of children.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rupnagar	130	1,242	7,987	168	..	452	..	..	..
Balad	600	1,775	2,680	..	..	6,428	..	..	..
Bar	100	2,247	2,111	..	..	222	..	..	..
Lavera . . . . .	..	181	488	..	170	668	..	500	..
Chat . . . . .	..	2,250	7,986	100	..	270	..	..	..
Naiyran	1,120	9,170	28,015	..	..	1,250	..	..	125
Bagar	4,488	5,031	6,992	2,270	1,110	2,850	..	..	..
Sarasa	350	3,215	12,867	..	..	..	..	..	..
Dansarian	1,946	4,092	6,641	280	200	1,812	..	3,975	..
Makrera	300	28,635	18,880	..	140	4,140	100	..	800
Bhagana	3,696	908	2,559	1,820	750	1,780	..	..	..
Bawatmal	1,885	1,820	2,636	..	..	3,112	..	..	..
Jaswantpura . . . . .	..	410	1,797	..	40	880	..	..	..
Sanadh	6,471	4,785	5,718	..	50	6,945	..	..	..
Banjari	8,859	3,248	7,791	7,598	..	550	..	..	..
Bhagwanpura	5,267	4,068	1,898	..	..	261	..	..	..
Galti	1,270	3,820	8,906	..	570	800	..	..	..
Rajlawas	600	420	15,015	..	..	..	..	..	..
Sarmallan	1,000	1,300	10,688	..	..	1,180	..	..	..
Kekri	10,288	4,894	13,478	1,080	..	500	2,764	..	..
20 villages	45,820	83,451	1,59,008	13,261	3,080	88,040	2,864	4,475	425
Total for (1) Productive purposes	Total Rs. 8,45,874.								
Percentage to grand total (11,77,050) of (1), (2) and (3).	Percentage to the grand total (Rs. 11,77,050) = 29.8.								

(Concluded.)

Villages.	UNPRODUCTIVE BUT NECESSARY PURPOSES. (2)				UNPRODUCTIVE AND PARTLY UNNECESSARY PURPOSES. (3)		Amount unclassified by the Investigators.
	Repayment of old debts.	Buildings.	Compound interest.	Famine, etc.	Litigation.	Marriage and funeral, etc.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Rupnagar	860	..	..	1,771	593	6,078	..
Bajad	1,650	..	2,825	14,220	100	4,675	..
Bar	4,927	..	6,304	2,378	135	9,858	..
Lavera	34,155	..	3,755	440	131	22,054	1,369
Chat	440	..	13,372	3,420	100	9,647	..
Nalyran	2,500	1,845	28,370	8,700	1,780	8,950	..
Bagar	702	..	9,955	8,536	700	23,785	..
Sarans	1,455	..	4,900	..	150	12,480	..
Dansarian	2,250	100	20,137	2,975	20	15,868	..
Makrera	18,185	2,730	84,350	..	3,600	53,525	..
Bhagana	300	2,500	10,781	19,753	..	5,894	..
Bawatmal	445	60	10,003	3,995	625	13,230	10
Jaswantpura	2,103	..	1,150	..	..	5,247	..
Sansdh	750	2,100	15,597	..	200	8,515	80,000
Banlari	6,100	..	..	1,000	200	24,787	..
Bhagwanpura	2,383	..	6,513	12,093	37	15,343	..
Galti	1,016	900	10,920	2,162	900	11,150	9,044
Rajlawas	2,546	..	13,452	2,120	300	18,061	..
Sarmalian . . . . .	..	..	1,370	800	293	15,510	..
Kekri	35,264	18,579	20,196	..	2,855	57,566	..
20 villages	1,18,031	28,314	2,28,430	1,00,731	12,719	3,48,451	90,423
Total for (2) and (3)	Rs. 4,70,506				Rs. 3,61,170		
Percentage to grand total for (1), (2) and (3)	89.9				30.7		

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If these villages are typical of each province as a whole, a substantial portion of the total debt of the rural population constitutes no *real* burden at all if the productive purposes for which loans have been borrowed are really economic investments.

30. The intensive and extensive surveys, the results of which we summarised in the last chapter, indicate that the indebted owners of land are *more* Analysis of Debts and Assets. *heavily* indebted than indebted families among all other classes of the rural population, except the *really* indebted *mahajans*. This only illustrates the general rule that debt follows credit. But it does not necessarily follow that the proprietors of land are more *heavily involved* in debt. Within the limited amount of time at our disposal, it has not been possible for us to analyse the assets of each family of land-owners in all the villages selected for intensive survey; but such figures as we have been able to compile indicate clearly that the assets of the proprietors of land are substantially in excess of their gross debt as well as their net debt, and that a very small number of agriculturists are really insolvent. The relevant statistics in support of this conclusion are summarised in a convenient form in the tables given below:—

AJMER-MERWARA.

Debts and assets of proprietors of land who do not cultivate lands belonging to others in seven of the villages selected for intensive survey.

Villages.	Total No. of families of owners who do not cultivate lands belonging to others.	No. of families really free from debt.	Gross debt of really indebted families.	Gross debt per really indebted family.	Net debt of really indebted families.	Net debt per really indebted family.	Total assets.	Total assets per family.	Percentage of gross debt to assets.	Percentage of net debt to assets.	Gross debt as multiple of Land Revenue.	Net debt as multiple of Land Revenue.
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.				
Balad	10	3	3,150	450	3,150	450	10,610	1,516	29.7	29.7	118.7	118.7
Bhagwanpura	8	3	1,856	371	1,856	371	2,467	493	75.2	75.2	11.2	11.2
Jaswantpura	11	6	850	170	850	170	1,288	258	65.9	65.9	27.09	27.09
Lavera	13	..	14,058	1,081	13,858	1,066	25,502	1,960	54.1	54.1	96.6	95.2
Sarana	56	16	17,500	438	17,350	434	47,877	1,197	36.5	36.2	6.3	6.3
Nalyran	19	8	12,800	1,164	12,500	1,127	20,630	1,875	62.04	62.04	73.9	72.2
Rawatmal	14	3	3,503	313	3,103	293	5,245	477	66.7	59.1	10.7	9.3

(Concluded.)

Villages.	Total No. of free owners.	No. of families really indebted.	NO. OF FAMILIES WHOSE DEBT IS BELOW 10 PER CENT. OF ASSETS.		NO. OF FAMILIES WHOSE DEBT IS BETWEEN 10 AND 20 PER CENT. OF ASSETS.		NO. OF FAMILIES WHOSE DEBT IS BETWEEN 20 AND 50 PER CENT. OF ASSETS.		NO. OF FAMILIES WHOSE DEBT IS BETWEEN 50 AND 100 PER CENT. OF ASSETS.		NO. OF INSOLVENT FAMILIES WHOSE DEBT IS ABOVE 100 PER CENT. OF ASSETS.	
			Gross debt.	Net debt.	Gross debt.	Net debt.	Gross debt.	Net debt.	Gross debt.	Net debt.	Gross debt.	Net debt.
			No.	No.	No.	No.	No.	No.	No.	No.	No.	No.
Balad	8	7	8	8	2	2	2	2	..	..	..	..
Bhagwanpura	8	5	3	3	2	2	..	..	..	..	..	..
Jaawantpura	6	5	4	4	1	1	..	..	..	..	..	..
Lavera . . . . .	..	13	6	6	5	5	2	2	..	..	..	..
Sarana	16	40	7	7	15	15	11	11	7	7	..	..
Nalyra	8	11	2	2	7	7	1	1	1	1	..	..
Bawatmal	3	11	3	3	5	5	2	2	1	1	..	..

DELHI.

Debts and assets of really indebted owners in eleven of the villages selected for intensive survey.

No.	Names of villages.	Total No. of families.	No. of families really indebted.	Gross debt of really indebted families.	Gross debt per really indebted family.	Net debt of really indebted families.	Net debt per really indebted family.	Total assets.	Assets per family.	Percentage of gross debt to assets.	Percentage of net debt to assets.	Land Revenue.	Multiple of Land Revenue to gross debt.
				Rs.	Rs.	Rs.	Rs.	Rs.	Rs.				
1	Jhangola	15	15	7,792	519.47	7,792	519.47	11,906	793.7	65.6	65.6	205	38
2	Mohamadpur Majri	8	4	8,800	2,200.0	8,600	2,150.0	78,471	19,616.75	10.06	10.95	270	31.5
3	Nangol Sanyad	16	11	14,065	1,280.45	14,965	1,360.45	1,62,202	14,745.6	9.2	9.2	554	27.0
4	Rajpur Khurd	20	12	8,737	728.1	8,737	728.1	34,102	2,841.8	26.2	25.0	59	148.0
5	Deorala	12	11	10,837	1,803.8	10,837	1,803.8	62,153	5,650.2	31.9	31.9	291	68.3
6	Nangli Sakraoti	36	29	21,983	758.0	21,733	749.4	1,52,538	5,259.9	14.4	14.2	317	69.2
7	Shahpur Jat	40	31	80,405	2,593.8	68,405	226.7	1,69,945	5,482.4	47.3	40.2	806	99.7
8	Masjid Moth.	13	7	24,425	3,489.3	24,425	3,489.3	24,143	3,440.0	101.1	101.1	423	57.7
9	Hauz Rani	53	40	15,929	3,982.25	15,027	3,756.75	54,188	1,354.7	29.3	27.7	358	45.1
10	Dalhupura	24	24	6,802	275.1	6,275	261.5	27,707	1,154.4	23.8	22.6	189	34.9
11	Silampur	22	20	16,150	807.5	16,165	807.5	74,294	3,714.7	21.7	21.7	81	199.8
	TOTAL	259	204	2,25,025	1,106.0	2,11,946	1,038.0	8,65,651	4,045.0	26.29	26.15	3,557	82.7

(Concluded.)

No.	Names of villages.	Multiple of land revenue to net debt.	Total No. of owners free.	No. of families really indebted.	NO. OF FAMILIES WHOSE DEBT IS BELOW 10 PER CENT. OF ASSETS.		NO. OF FAMILIES WHOSE DEBT IS BETWEEN 10 AND 20 PER CENT. OF ASSETS.		NO. OF FAMILIES WHOSE DEBT IS BETWEEN 20 AND 50 PER CENT. OF ASSETS.		NO. OF FAMILIES WHOSE DEBT IS BETWEEN 50 AND 100 PER CENT. OF ASSETS.		NO. OF INSOLVENT FAMILIES WHOSE DEBT IS ABOVE 100 PER CENT. OF ASSETS.	
					Gross debt.	Net debt.	Gross debt.	Net debt.	Gross debt.	Net debt.	Gross debt.	Net debt.	Gross debt.	Net debt.
					No.	No.	No.	No.	No.	No.	No.	No.	No.	No.
1	Jhangola . .	88	..	15	3	3	8	3	1	1	5	5	3	3
2	Mohamadpur Majri.	30.8	4	4	2	2	..	..	..	..	2	2	..	..
3	Nangloi Sayyad .	27.0	5	11	6	6	2	2	2	2	1	1	..	..
4	Rajpur Khurd .	148.0	8	12	5	5	1	1	5	5	..	..	1	1
5	Deorala . .	68.8	1	11	3	3	2	2	3	3	2	2	1	1
6	Nangli Sakroati .	68.4	7	29	16	15	6	7	7	6	1	1	..	..
7	Abahpur Jat .	84.8	9	31	11	12	3	3	8	11	6	2	3	3
8	Masjid Moth .	57.7	6	7	3	3	..	..	1	1	..	..	3	3
9	Hauz Bani . .	42.5	13	40	1	1	6	7	16	15	6	7	12	10
10	Dallupura . .	33.2	..	24	8	4	7	3	12	10	2	2	..	..
11	Silampur . .	199.3	2	20	7	7	1	1	11	11	1	1	..	..
	TOTAL . .	78.8	55	204	59	61	31	34	65	65	26	23	23	21

NORTH-WEST FRONTIER PROVINCE.

Debts and assets of protectors of land who do not cultivate lands belonging to others in five of the villages selected for intensive survey.

Serial No.	Names of villages.	Total No. of families of owners who do not cultivate lands belonging to others.	No. of families really free from debt.	Gross debt of really indebted families.	Gross debt per really indebted family.	Net debt of really indebted families.	Net debt per really indebted family.	Total assets.	Total assets per family.	Percentage of gross debt to assets.	Percentage of net debt to assets.
				Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
1	Gul Imam	131	17	2,84,912	2,499-4	2,58,555	2,224-1	55,21,273	49,432	5-1	4-5
2	Potah	60	23	35,420	957-3	35,420	957-3	18,01,765	35,182	2-7	2-7
3	Punodheri	101	70	23,876	770-1	23,105	747-2	1,07,398	3,404-4	22-2	21-5
4	Billitang	200	26	71,371	306-5	71,371	306-5	3,35,284	1,802-6	21-2	21-2
5	Maddi	107	57	3,47,532	3,159-3	3,47,532	3,159-3	14,51,923	13,190-3	23-9	23-9

(Concluded.)

Serial No.	Names of villages.	No. of families really indebted.	NO. OF FAMILIES WHOSE DEBT IS BELOW 10 PER CENT. OF ASSETS.		NO. OF FAMILIES WHOSE DEBT IS BETWEEN 10 AND 20 PER CENT. OF ASSETS.		NO. OF FAMILIES WHOSE DEBT IS BETWEEN 20 AND 50 PER CENT. OF ASSETS.		NO. OF FAMILIES WHOSE DEBT IS BETWEEN 50 AND 100 PER CENT. OF ASSETS.		NO. OF FAMILIES WHOSE DEBT IS ABOVE 100 PER CENT. OF ASSETS.	
			Gross debt.	Net debt.	Gross debt.	Net debt.	Gross debt.	Net debt.	Gross debt.	Net debt.	Gross debt.	Net debt.
			No.	No.	No.	No.	No.	No.	No.	No.	No.	No.
1	Gul Imam	114	64	61	31	31	14	12	4	4	4	3
2	Potah	37	33	33	1	1	2	2	1	1	--	--
3	Punodheri	31	11	8	9	7	11	10	3	3	--	--
4	Billitang	180	50	50	41	41	56	56	26	26	7	7
5	Maddi	110	23	23	19	19	32	32	23	23	13	13

31. The intensive surveys throw interesting light on the proportion of the total debt owed by the *small* peasant proprietors or cultivators. In 13 villages of Delhi, 399 families, each owning or cultivating less than 10 acres, owe Rs. 3,04,965 out of a total amount of Rs. 5,72,099 borrowed by proprietors and tenants*; in other words, 53·3 per cent. of the total debt was borrowed by these small peasant proprietors or cultivators. The total number of proprietors and cultivators in these villages is 645 while the number of indebted families among them is 573. Thus 174 families or less than 27 per cent. of the agriculturists, each of whom owns or cultivates more than 10 acres of land owe, in the aggregate, 46·7 per cent. or nearly half of the total debt of the agriculturists. In 15 of the villages selected in the North-West Frontier Province, the aggregate amount borrowed by owners or cultivators of holdings below 10 acres of land formed only 38·9 per cent. of the total debt of these villages†. These small owners or cultivators were in numerical strength 54·8 per cent. of the total. Similar details for Ajmer-Merwara are not available; but there is no reason to believe that the position is very much different there.

As has been pointed out in Chapter II, the majority of the holdings in each of the three provinces are less than 10 acres in size. But a substantial part ranging between 47 to 61 per cent. of the debt is owed by a minority of the bigger agriculturists, while the majority of the agriculturists have borrowed in the aggregate only half or less than half the total debt. The agriculturists who have more than 10 acres of land to cultivate have in normal years generally a surplus of income over their domestic expenditure. Judging solvency not by assets but even by income, we are, therefore, justified in concluding that quite a considerable portion of the rural debt is against persons whose holdings are not as a rule uneconomic and who have the capacity to repay their debts out of their income if they have the will and character to do so.

32. One of the most serious effects of the rural indebtedness is generally an increase in the area mortgaged and in

* Vide Appendix A, page 102.

† Vide Appendix B, page 103.

the area sold by the smaller agriculturists. It is, therefore, pertinent to examine the figures relating to mortgaged areas and mortgage money, available from the Revenue Records of the villages.

Effect of Rural Indebtedness.

Taking each district of the North-West Frontier Province separately, we find that in the District of Peshawar the total existing mortgaged area in 1927-28 was 101,205 acres against 102,448 in the year 1912-13; there has thus been *no increase* in the total existing mortgaged area between 1912-13 and 1927-28, a period of 16 years. In 1928-29, however, the figure shows a slight increase, the total mortgaged area being 110,289 acres. Examining separately each year since 1912-13, it is found that the total existing mortgaged area was higher than the figure for the year 1912-13 in 1913-14, 1915-16, 1916-17, 1917-18, 1920-21, 1921-22, 1922-23, 1923-24, 1925-26, 1926-27 and 1928-29, *i.e.*, in all 11 years out of 17. In spite of the general increase in the year 1928-29 over the figure for 1912-13, in two out of the four tehsils of this district, *viz.*, Charsada and Nowshera, there was an appreciable *decrease* in the mortgaged area; the figure for Charsada Tehsil being 20,084 acres in 1913-14 and 18,440 acres in 1928-29, while the corresponding figure for Nowshera Tehsil was 8,572 in the year 1912-13, 7,999 in 1913-14 and 6,793 in 1928-29.

33. A detailed examination of the figures of mortgages with agriculturists and those with non-agriculturists indicates, however, a pronounced replacement of the non-agriculturists by agriculturists as mortgagees. In Mardan, the area mortgaged with the agriculturists in the year 1912-13 was only 1,812 acres as against 9,654 acres with the non-agriculturists. In the following year (1913-14), the area mortgaged with the agriculturists was 16,257 acres, while in the year 1925-26, the year in which the new settlement was effected, this jumped up to 26,289 acres. Thus the percentage of increase is 1,350·4 over the figure for the year 1912-13 and 61·7 over the corresponding figure for 1913-14. The percentage of the total area mortgaged with the agriculturists to the total existing mortgaged area was only 15·8 in the year 1912-13 as against 62 per cent. in the year 1913-14 and 76·5 per cent. in the year 1925-26. The total area mortgaged with non-agriculturists during the same period declined from 9,654

Mortgages with agriculturists and non-agriculturists—North-West Frontier Province.

acres in 1912-13 to 8,082 acres in 1925-26; while the percentage of the area mortgaged with non-agriculturists to the total existing area mortgaged fell down from 84.2 in 1912-13 to 23.5 in 1925-26.

Similar increase both in the total area mortgaged with the agriculturists and in the percentage of the area mortgaged with them to the total mortgaged area as a whole is disclosed by the figures of the other tehsils, as the following abstract will show :—

Mortgages with agriculturists.

Tehsils.	1912-13.		AT THE TIME OF LAST SETTLEMENT.		Percentage of increase (+) or decrease (—) of column 4 over column 2.	Percentage of increase (+) or decrease (—) of column 5 over column 3.
	Total area mortgaged with agriculturists.	Percentage relation to total existing mortgaged area.	Total area mortgaged with agriculturists.	Percentage relation to total existing mortgaged area.		
1	2	3	4	5	6	7
	Acres.		Acres.			
Swabi . . .	26,005	79.8	28,481(a)	85.4	+9.5	+7.01
Nowshera . . .	4,373	51.0	4,643(b)	68.3	+6.2	+33.92
Mardan . . .	1,812	15.8	26,239(c)	76.5	+1,350.4	+384.1
Charsada . . .	13,492	37.2	12,791(d)	72.8	—5.2	—8.03
Peshawar . . .	5,366	39.7	10,953(e)	72.1	+104.1	+81.61

Exactly opposite is the case with non-agriculturists. Not only the total area mortgaged with them has decreased but its percentage to the total has declined.

Mortgages with non-agriculturists.

Tehsils.	1912-13.		AT THE TIME OF THE LAST SETTLEMENT.		Percentage of increase (+) or decrease (—) of column 4 over column 2.	Percentage of increase (+) or decrease (—) of column 5 over column 3.
	Total area mortgaged with non-agriculturists.	Percentage of the total existing mortgaged area.	Total area mortgaged with non-agriculturists.	Percentage of the total existing mortgaged area.		
1	2	3	4	5	6	7
	Acres.		Acres.			
Swabi . . .	6,598	20.2	4,870	14.6	—26.0	—27.6
Mardan . . .	9,854	34.2	8,082	23.5	—16.3	—32.7
Nowshera . . .	4,199	48.9	2,150	31.7	—48.7	—35.2
Charsada . . .	6,592	32.8	4,833	27.4	—26.7	—16.5
Peshawar . . .	8,157	60.2	4,089	27.2	—49.9	—54.9

(a) Settlement of 1927-8.
 (b) " " 1923-9.
 (c) " " 1925-6.
 (d) " " 1926-7.
 (e) " " 1928-9.

34. For the Bannu District, the Local Administration has supplied the figures of the total existing mortgaged area in each *tehsil* for all years since 1907-8 when the last settlement was made; and we find that while there has been a general rise in the total existing area mortgaged during *each* year since 1913-14, there has been a steady decline not only in the total existing mortgaged area with non-agriculturists but also in the percentage of the mortgaged area in favour of non-agriculturists to the total existing area mortgaged. The relevant figures are summarised below :—

Total existing mortgaged area.

	Bannu Tehsil.	Lakki Tehsil.	Bannu District.
1907-08	43,066	147,402	190,468
1913-14	43,666	139,037	182,703
1928-29	46,469	158,909	205,378

Mortgages with non-agriculturists.

	Bannu Tehsil.		Lakki Tehsil.		Bannu District.	
	Area.	Percent- age.	Area.	Percent- age.	Area.	Percent- age.
1907-08	7,784	18.07	38,974	26.4	46,758	24.5
1913-14	7,637	17.4	34,234	24.6	42,171	23.07
1928-29	7,197	15.4	34,207	21.5	41,724	20.3

In the District of Dera Ismail Khan there is a general decline in the total existing mortgaged area, a rise in the total existing area mortgaged with the agriculturists both in the tehsils of Dera Ismail Khan and Tank, and a heavy decline in the total existing area with non-agriculturists in each *tehsil* of the District.

	Dera Ismail Khan.	Tank.	Kulachi.	Total.
1912-13	132,655	93,502	76,608	302,765
1913-14	133,222	93,627	70,182	297,031
1928-29	115,412	90,158	57,036	262,606

With agriculturists.

1912-13	28,616	54,969	49,921	133,506
1928-29	37,154	57,036	38,575	132,765

With non-agriculturists.

1912-13	104,039	38,533	26,687	169,259
1928-29	78,258	33,122	18,461	129,841

35. In the case of the other districts of the North-West Frontier Province, only the yearly figures of the area mortgaged every year are available. These figures show that since 1913 the area mortgaged every year in Abbottabad Tehsil has been generally declining; for example the area mortgaged in 1928-29 was 2,549 acres as against 5,517 acres in 1913. In other words the annual mortgaged area in the latest year for which figures are available is less than half of what it was in 1913 and the decline is general both in the amount of land mortgaged with agriculturists and that in favour of non-agriculturists. This can easily be seen by a glance at the following table:—

<i>Abbottabad Tehsil.</i>		
	With agri- culturists.	With non- agriculturists.
1913	5,358	159
1928	2,446	103
<i>Haripur Tehsil.</i>		
1913	4,997	339
1928-29	3,497	179
<i>Mansehra Tehsil.</i>		
1913-14	10,297	115
1928-29	5,642	50

For the District of Kohat, the Local Administration was unable to give us separate figures for the area mortgaged every year with agriculturists and non-agriculturists, but the following available figures indicate a general decline in the area annually mortgaged since the year 1913-14.

	Kohat Tehsil.	Hangu.	Teri.
1913-14	1,597	369	6,895
1928-29	502	249	3,130

36. As regards mortgage money, there has been a marked rise up to 1920 or 1922 even in the Tehsils in which there has been a fall in the total area mortgaged. We have no information as to the amount of mortgage money at the time of the previous settlement for any tehsil in the Peshawar District except Peshawar Tehsil. In Peshawar Tehsil the mortgage money for mortgages with possession has, during the interval between

Mortgage money—North-
West Frontier Province.

the last two settlements, risen from Rs. 7,90,824 to Rs. 23,47,428, while the area of existing mortgages with possession with the agriculturists has declined from 20,182 acres to 10,953 acres. The mortgage money for mortgages with possession with non-agriculturists has also risen during the same period from Rs. 7,40,287 at the previous settlement to Rs. 9,10,654, at the last settlement; but in this case the area mortgaged with possession with non-agriculturists shows even a heavier decline, from 11,544 to 4,089 acres. The mortgage money for the existing mortgages with possession at the most recent settlement was Rs. 32,58,089 in Peshawar Tehsil, Rs. 39,40,246 in Charsada, Rs. 38,23,322 in Mardan, Rs. 9,57,597 in Nowshera, and Rs. 55,71,925 in Swabi, the total for the whole district aggregating Rs. 1,75,51,179.

In the District of Bannu there has been a marked rise in the total mortgage money not only in the district as a whole but in each of the tehsils, as the following table will show :—

	Bannu.	Lakki.	Bannu District.
	Rs.	Rs.	Rs.
1907-08	34,88,346	41,71,616	85,04,536
1913-14	37,02,480	52,41,577	97,88,631
1928-29	66,59,029	92,98,999	15,95,828

The same thing has happened in all the tehsils of the Dera Ismail Khan District. The relevant figures are given below :—

	Dera Ismail Khan.	Tank.	Kulachi.	Total.
	Rs.	Rs.	Rs.	Rs.
1912-13	13,26,550	8,37,824	7,66,082	21,76,456
1913-14	13,21,578	8,90,325	7,65,372	29,77,275
1928-29	30,90,104	16,11,377	11,13,702	58,15,183

Similar information as to the mortgage money for the total existing mortgaged area in the Hazara District is not available; but even the mortgage money for the area annually mortgaged in the different tehsils of this district shows an appreciable rise, as the following figures for each tehsil will show :—

	1913-14.	1928-29.
	Rs.	Rs.
Abbottabad	4,33,399	4,53,720
Haripur	4,30,097	5,50,153
Manshara	6,35,609	7,96,965

In the Kohat Tehsil the annual figures for mortgage money for the area mortgaged each year show a marked rise between 1913 and 1922 and a heavy decline since 1922-23. The mortgage money for the area mortgaged in 1928-29 is lower than even the corresponding figure for 1913.

	Rs.
1913	93,266
1922-23	1,97,518
1925-26	1,19,636
1928-29	67,077

In Hangu Tehsil there was a continuous rise in the mortgage money for yearly mortgages between 1913 and 1921-22, but a steady decline from 1922-23 onwards, the actual figures being :

	Rs.
1913-14	40,226
1921-22	82,665
1928-29	54,124

Similarly, in Teri Tehsil there was a rise in the mortgage money for yearly mortgages between 1913 to 1920, but a decline from 1920-21 to 1928-29.

	Rs.
1913-14	2,19,718
1920-21	3,14,499
1927-28	2,14,886
1928-29	2,38,666

For Hazara, we have no figures of the total existing mortgage money in any of the previous years to enable us to make a useful comparison with the present state of affairs.

37. The mortgage money per acre shows a marked rise *everywhere* as the following figures will show :—

Tehsils.	1913-14.		1928-29	
	Rs.		Rs.	
Abbottabad	78.5		178.	
Haripur	80.6		149.6	
Mansehra	61.04		140.01	
	1913-14.		1922-23.	
	Rs.	Rs.	Rs.	Rs.
Kohat	58.3	113.1	133.6	
Hangu	109.04	269.2	217.3	
Teri	31.8	63.2	94.5	

	1907-08.	1913-14	1928-29.
	Rs.	Rs.	Rs.
Bannu	81.0	84.8	143.3
Lakki	28.3	37.6	58.8
		1912-13.	1928-29.
		Rs.	Rs.
Dera Ismail Khan		10	26.6
Tank		8.9	17.8
Kulachi		10	19.1

Our examination of the mortgage figures in the North-West Frontier Province thus shows a tremendous rise in the mortgage money per acre, only a slight fall in the total area mortgaged, a substantial rise in the area mortgaged with agriculturists, and a considerable replacement of non-agriculturists, by agriculturists as mortgagees. Evidently then the rise in the mortgage money per acre has not enabled the smaller agriculturists to redeem as much area as they should have done.

38. For the Province of Delhi we were unable to get the statement of mortgages prepared at the time of the last settlement as the record had been destroyed. Our endeavour to obtain from the superior revenue officers a rough estimate of the proportion of land redeemed every year to either the total of the existing mortgaged land or to the area newly mortgaged in each year was infructuous. The only figures available for a series of years were the following:—

Mortgages of land—
Delhi.

Statement of mortgages, redemptions and sales in the Delhi Province.

Years.	MORTGAGES WITH POSSESSION.				REDEMPTION OF MORTGAGES.				SALES AND PERMANENT TRANSFERS FOR VALU.			
	Total area.	Irrigated.	Unirrigated.	Mortgage money.	Total area.	Irrigated.	Unirrigated.	Mortgage money discharged.	Total area.	Irrigated.	Unirrigated.	Price.
1	2	3	4	5	6	7	8	9	10	11	12	13
	Acres.	Acres.	Acres.	Rs.	Acres.	Acres.	Acres.	Rs.	Acres.	Acres.	Acres.	Rs.
1912-13	1,873	470	1,281	2,11,375	4,414	1,262	2,883	2,79,424	13,804	1,381	5,709	15,72,821
1913-14	2,763	797	1,702	2,97,863	4,967	1,254	8,277	3,55,625	12,177	1,473	7,691	15,55,027
1914-15	2,297	530	1,601	2,32,917	3,016	574	2,275	2,06,964	6,880	741	4,309	7,84,911
1915-16	2,486	..	2,292	3,09,499	3,054	..	2,649	1,82,031	6,209	..	3,225	10,39,287
1916-17	2,366	587	1,567	2,83,772	2,414	603	1,589	2,03,192	1,966	187	1,266	4,62,119
1917-18	2,548	..	2,446	3,55,853	3,305	..	3,109	2,83,223	2,006	..	1,325	7,08,621
1918-19	2,519	571	1,801	3,82,404	2,770	583	1,984	2,82,183	2,229	138	1,092	5,57,074
1919-20	2,777	677	1,993	4,79,071	3,258	935	2,210	3,66,407	1,788	169	1,027	14,18,214
1920-21	3,110	770	2,047	6,16,540	2,579	732	1,765	3,60,614	1,676	186	1,025	6,12,905
1921-22	2,221	525	1,592	4,40,834	2,275	555	1,593	2,82,152	881	159	494	6,07,613
1922-23	1,879	431	1,402	4,08,467	2,058	495	1,468	2,27,250	1,359	137	816	5,92,494
1923-24	1,866	252	1,452	3,71,322	1,836	369	1,201	1,64,159	829	92	564	13,18,055
1924-25	1,724	525	1,150	4,00,964	1,217	321	850	2,28,017	735	136	363	2,13,937
1925-26	2,048	458	1,545	4,21,369	1,835	303	967	2,07,230	628	71	396	3,01,580
1926-27	2,222	53	1,645	4,62,486	1,282	301	906	1,59,233	1,034	165	599	3,25,957
1927-28	2,622	656	1,825	5,22,228	1,500	265	1,144	1,51,025	775	186	428	2,42,994
1928-29	2,753	729	1,872	5,17,822	2,129	584	1,445	2,90,417	2,092	499	1,313	6,45,385
TOTAL	40,074	8,037	29,213	66,94,786	43,409	9,636	31,015	42,29,146	57,071	5,720	31,642	1,29,58,994

These figures show that the yearly mortgaged area declined during the period 1913-14 to 1918-19, rose during the year 1920-21, and continued once again to decline thereafter till the year 1925-26, after which it began to increase every year till 1928-29, when the total figure rose nearly to the same height as in the year 1913-14. The mortgage money has generally risen except in the period 1920-21 to 1926-27. But even during these years of decline it was a much higher amount than for any year before 1918-19. The mortgage money per acre has also been rising continuously till the year 1925-26, being Rs. 107·8 in 1913-14, Rs. 172·5 in 1920-21, Rs. 198·2 in 1921-22 and Rs. 232·5 in 1925-26, but after the year 1926-27 it showed a tendency to fall till the year 1928-29 when it was only Rs. 188·09.

39. It is interesting to note that between 1912-13 and 1922-23 the area redeemed every year was greater than the area mortgaged except in 1920-21.

Redemptions of mortgaged land—Delhi.

The total area mortgaged during this period is 26,839 acres as against 34,110 acres of the area redeemed and yet, except in the years 1912 and 1913, the money paid towards redemption of land is substantially less than the mortgage money for the area newly mortgaged. Since 1923-24 the area mortgaged is every year greater than the area redeemed. Taking the period since 1912-13 as a whole the area mortgaged is 40,074 acres while the area redeemed is 43,409 acres. And the total mortgage money during this period was Rs. 66,94,786 while the mortgage money discharged amounted to Rs. 42,29,146.

It is not possible to explain away these facts by supposing that land of better quality was being mortgaged and that inferior land was being redeemed during this period; because even the irrigated area redeemed is in excess of the irrigated area mortgaged. The Revenue Assistant, Delhi, was requested to look carefully into the village records of a few villages in order to discover the most reasonable explanation; and as the result of his enquiry he wrote back as follows:—

“ Just to give you an idea I have examined the figures of one village, namely Bhatawarpur. Going backwards from 1928-29 I found that the figures of the year 1918-19

were similar to those under discussion. They are given below :—

	Area. Mortgage money.	
	Acres.	Rs.
Mortgages	25	8,079
Redemption of mortgages	43	7,110

“ Out of 43 acres redeemed, 27 acres were redeemed for Rs. 4,304 and out of these 27 acres 8 acres were kept by the owners and 19 acres were again mortgaged for Rs. 5,930. So out of 25 acres mortgaged, only 6 acres were newly mortgaged and a portion (19 acres) of the area redeemed was re-mortgaged for an amount larger than that for which the whole area (27 acres) was previously mortgaged. Thus the mortgage money increased in the case of mortgages and the area in the case of redemptions. To make a full enquiry for the whole province requires special staff. The work is too heavy to be undertaken by the ordinary staff ”.

40. This explanation is corroborated by the marked rise in the mortgage money per acre till 1924-25 and the rise in the sale value per acre till 1923-24 as shown in the following table :—

Year.	Mortgage money per acre.	Redemption money per acre.	Sale money per acre.
1912-13	112·8	63·3	114·6
1913-14	107·7	71·5	127·7
1914-15	101·4	68·6	110·4
1915-16	124·5	59·6	167·4
1916-17	111·5	84·1	235·0
1917-18	139·6	85·3	353·2
1918-19	151·8	101·8	249·8
1919-20	172·5	112·4	793·1
1920-21	198·2	139·8	365·6
1921-22	198·4	124·0	689·6
1922-23	217·3	110·4	435·2
1923-24	198·9	89·4	1,539·6
1924-25	232·5	187·3	289·8
1925-26	205·7	155·2	480·2
1926-27	208·6	124·2	315·2
1927-28	199·1	100·6	313·5
1928-29	188·0	136·4	308·5

The conclusion is irresistible that the rise in the price of land has benefited the indebted agriculturists by enabling them to redeem more land than they have mortgaged during this period of rising prices, and the fact that their

total mortgage debt is increasing does not necessarily mean that they are more heavily involved than before.

41. As for the relative share of the agriculturist and the non-agriculturist mortgagees, we have no separate yearly figures available for Delhi except for Shahdara Ilaqa for the years 1915-16 to 1927-28. But the following figures supplied by the Revenue Assistant, Delhi, clearly show that the total mortgaged area in the hands of non-agriculturists at present is comparatively small in the whole province and almost negligible in tracts other than Shahdara.

	Total.	With agriculturists.	With non-agriculturists.	Percentage of column 4 to column 2.
—	Acres. 21,836	Acres. 18,774	Acres. 2,862 (including 1,750 acres in Shahdara tract).	(a) 13.2 (b) 5.4 (excluding the area in Shahdara tract). 27.6
Area of which rights of ownership are mortgaged with possession.	1,581	1,239	342	
Area of which occupancy rights are mortgaged.				

Even in the Shahdara Ilaqa, to which the Land Alienation Act has not yet been applied, the sales by non-agriculturists in favour of agriculturists exceed the sales in favour of non-agriculturists by agriculturists by 65 acres. In this tract the mortgages with possession by agriculturists in favour of non-agriculturists exceeded those by non-agriculturists in favour of agriculturists by 366 acres during the years 1915-16 to 1927-28; but the area of mortgages with possession redeemed by the non-agriculturists was only 67 acres as against 238 acres redeemed by agriculturists from non-agriculturists, so that the gain by agriculturists of 221 acres on this account reduces the net loss of agriculturists to only 145 acres. Thus even in a tract where the Land Alienation Act was not in force, there has been no marked tendency towards the displacement of the agriculturist either as an owner or as a mortgagee.

42. The material supplied by the Local Administration for the Ajmer-Merwara Province is rather scanty, but such as it is, it clearly indicates that both as the area mortgaged annually and the mortgage money for fresh mortgages have in recent years declined far below the level of the year 1913. The relevant figures are given below:—

Mortgages of land—
Ajmer-Merwara.

AJMER-MERWARA.
Land-mortgages.

Years.	Sub-Divisions.	BY AGRICULTURISTS TO AGRICULTURISTS.			BY AGRICULTURISTS TO NON-AGRICULTURISTS.			TOTAL.		
		No. of documents.	Area.	Value.	No. of documents.	Area.	Value.	No. of documents.	Area.	Value.
1913 .	Ajmer . . .	595	Bighas. 8,457	Rs. 1,75,873	400	Bighas. 1,208	Rs. 25,125	995	Bighas. 9,665	Rs. 2,00,998
	Beawar . . .	452	1,691	15,299	458	2,006	1,27,867	910	3,697	1,43,166
	Todgarh . . .	209	266	17,805	688	1,091	78,538	897	1,357	96,343
	Kekri . . .	..	..	..	1	27	635	1	27	635
	Deoli . . .	..	..	..	..	..	..	..	..	..
	Nasrabad . . .	..	..	..	3	100	6,300	3	100	6,300
	TOTAL . . .	1,256	10,414	2,08,977	1,650	4,432	2,38,405	2,906	14,846	4,47,442
1926 .	Ajmer . . .	63	984	61,205	140	89	5,564	203	1,073	66,769
	Beawar . . .	61	150	2,500	102	405	27,699	163	555	30,199
	Todgarh . . .	22	45	3,528	62	206	8,989	84	251	12,517
	Kekri . . .	..	..	..	..	..	..	..	..	..
	Deoli . . .	..	..	..	..	..	..	..	..	..
	Nasrabad . . .	..	..	..	..	..	..	..	..	..
	TOTAL . . .	146	1,179	67,233	304	700	42,242	450	1,879	1,09,475

(Concluded.)

Years.	Sub-Divisions.	BY AGRICULTURISTS TO AGRICULTURISTS.			BY AGRICULTURISTS TO NON-AGRICULTURISTS.			TOTAL.		
		No. of documents.	Area.	Value.	No. of documents.	Area.	Value.	No. of documents.	Area.	Value.
1927	Ajmer . . .	70	Bighas. 2,181	Rs. 78,365	151	Bighas. 312	10,366	221	Bighas. 2,498	88,731
	Beawar . . .	60	105	815	282	1,084	65,984	292	1,189	66,799
	Todgarh . . .	22	88	3,716	134	392	23,290	156	480	27,006
	Kekri . . .	..	..	..	..	..	..	..	..	..
	Deoli . . .	..	..	..	..	..	..	..	..	..
	Nasirabad . . .	..	..	..	..	..	..	..	..	..
	TOTAL	152	2,324	77,896	517	1,788	99,640	669	4,112	1,77,536
1928	Ajmer . . .	85	2,434	71,308	171	303	2,664	256	2,737	73,972
	Beawar . . .	101	431	4,502	195	1,004	60,225	296	1,435	64,727
	Todgarh . . .	20	63	3,126	165	459	26,752	185	522	29,878
	Kekri . . .	..	..	..	..	..	..	..	..	..
	Deoli . . .	..	..	..	..	..	..	..	..	..
	Nasirabad . . .	..	..	..	..	..	..	..	..	..
	TOTAL	206	2,928	78,936	531	1,766	89,641	737	4,694	1,68,577
GRAND TOTAL	1,760	16,845	4,38,042	2,902	8,686	4,60,988	4,662	25,531	9,03,030	

43. The general conclusions to which the figures of mortgage area and mortgage money lead may now be summed up as follows:—

General conclusions regarding mortgages.

- (1) The mortgage debt is increasing everywhere.
- (2) The rise in the value of land and the mortgage money per acre has till recently prevented any considerable increase in the total mortgaged area and has in some tehsils actually led to a decrease.
- (3) There has been a rapid replacement of non-agriculturist by agriculturist mortgagees in Delhi and the North-West Frontier Province.
- (4) The fall in the mortgage money and in sale value per acre during the last 5 to 6 years, combined with protective laws and customs against the non-agriculturists, point to a more rapid dispossession of the smaller agriculturists by bigger agriculturists in the *future*, if the tendency to falling prices of agricultural produce continues for some time to come. The prospect is disquieting specially in the North-West Frontier Province where tenants-at-will form already too large a proportion of the agriculturists, where transborder people are coming in both as purchasers of land and tenants of big landlords, and where, according to the calculations placed before us by the agricultural expert of the province, it is not possible for tenants working under the prevailing *batai* system on $5\frac{1}{2}$ acres of the very best land to make both ends meet, even when they are completely free from debt.

44. We have no recent figures available regarding the gains and losses of the agriculturists by sale and purchase of land in any tehsil of the Centrally Administered Areas except the figures with regard to sales of land to agriculturists and non-agriculturists in the four tehsils of the Peshawar District of the North-West Frontier Province. Between the previous settlement and

Tendency for land to pass into the hands of bigger agriculturist.

the last settlement in Peshawar Tehsil the total area sold to agriculturists was 36,361 acres as against 5,054 acres sold to non-agriculturists, the average price per acre paid by the agriculturists being Rs. 300 as against Rs. 359 paid by the non-agriculturists. In Mardan, the area sold to agriculturists between the two settlements was 58,168 acres as against 12,123 acres sold to non-agriculturists, the price per acre paid by the non-agriculturist being Rs. 173 per acre as against only Rs. 101 per acre paid by the agriculturist. During the same interval the total area sold to agriculturists in Swabi Tehsil was 17,526 acres as against 2,655 acres sold to non-agriculturists, while the average sale price per acre paid by the agriculturist was Rs. 190 as against Rs. 177 paid by the non-agriculturist. In the Tehsil of Charsada, the sales to agriculturists between the two settlements amounted to 38,374 acres of land as against 4,526 acres in favour of non-agriculturists, the average rate at which land was sold to the agriculturist being Rs. 160 as against Rs. 182 per acre paid by the non-agriculturist. It is plain that the tendency for land to pass into the hands of the bigger agriculturists at a cheaper price has in recent years been accentuated in the district of Peshawar. The older settlement reports in other tehsils of the province reveal the same tendency. The Assessment Report of 1906 of the Abbottabad Tehsil of the Hazara District shows that the percentage of the cultivated area sold since the previous settlement to non-agriculturists was only 1.9 while that of the area sold to agriculturists was 11.3. The settlement report of Kohat District of 1905 mentions that only 1/9th of the area sold passed into the hands of non-agriculturists while the rest of the alienations were among the land owners themselves.

45. During the course of our public sittings, allegations were made that creditors, specially the agriculturist creditors, received in addition to interest on loans free services of the borrowers for various purposes, but as a result of our examination of the witnesses who alleged the prevalence of such a practice and further enquiries on the subject, we have come to the conclusion that this is true in exceptional cases only, and that even where services are rendered to the creditors, they are paid for to an appreciable extent.

Exaction of free services from borrowers.

46. Another alleged effect of the indebtedness is that the indebted agriculturist is compelled to sell his produce to his creditors at prices which are far below the market rates. This will be more conveniently examined in the chapter on marketing.

Effect of indebtedness
on disposal of produce.

APPENDIX A.

DELHI PROVINCE.

Indebtedness.

Results of intensive enquiry.

No.	Villages.	Total debt of owners and tenants.	DEBT OF FAMILIES OWNING OR CULTIVATING LAND 10 ACRES OR LESS.		DEBT OF FAMILIES OWNING OR CULTIVATING LAND LESS THAN 5 ACRES.		Percentage of column 4 to 3.	Percentage of column 6 to 3.	Total No. of indebted families i.e., really indebted families <i>plus</i> those who lent more than they borrowed and those who have lent and borrowed equally.
			Amount.	No. of families.	Amount.	No. of families.			
1	2	3	4	5	6	7	8	9	10.
		Rs.	Rs.		Rs.				
1	Jhangola	31,281	9,292	16	1,573	27	29.7	5.3	27
2	Akbarpur Majra	15,155	1,475	4	540	25	9.7	3.5	19
3	Mohamadpur Majri	31,879	700	4		25	2.2		12
4	Nangloi Sayyad	35,387	7,005	14	1,154	36	19.7	3.2	30
5	Deorala	28,707	3,223	4		22	11.2		31
6	Jafarpur Kalan	32,242	24,577	50	5,173	71	76.2	16.0	61
7	Bajpur Khurd	16,267	10,570	25	5,156	31	64.9	31.6	23
8	Jonsapur	56,749	23,329	36	13,337	38	41.1	24.3	38
9	Shahpur Jat	1,79,343	1,42,393	75		39	34.7		32
10	Dallupura	13,170	9,104	46	3,808	57	50.1	20.9	50
11	Silampur	24,965	10,735	30	6,220	49	45.9	23.5	42
12	Nangli Sakraoti	32,237	13,484	23	2,564	55	41.7	7.9	34
13	Hauz Bani	59,417	49,068	67	31,272	100	32.5	52.6	32
	Total of 13 villages	5,72,099	3,04,905	399	71,297	645	53.3	12.4	573

APPENDIX B.
NORTH-WEST FRONTIER PROVINCE.

Indebtedness.

Results of intensive enquiries.

Villages.	Total No. of families of owners and cultivators. (1)	No. of owners and cultivators owning or cultivating less than 10 acres. (2)	Total debt of owners and cultivators. (3)	Debt of families owning or cultivating less than 10 acres. (4)	Percentage relation of (4) to (3).	Percentage relation of (2) to (1).
			Rs.	Rs.		
Chamkani	545	425	87,045	85,435		
Fabbi	467	336	3,04,172	1,52,217		
Shabqadar	715	354	1,43,209	1,19,829		
Manki	1,425	1,042	5,51,322	10,784		
Lachi Balla	471	168	1,13,408	84,350		
Hangoo	430	325	1,86,078	1,03,322		
Billitang	343	255	74,332	50,713		
Dhamtour	1,157	269	2,07,457	1,71,493		
Kotnajibullah	412	362	1,64,057	85,192		
Ghoriwala	785	358	3,97,604	3,34,200		
Shahbaskhel	351	151	1,96,889	23,532		
Potah	177	46	59,068	10,734		
Maddi	213	38	4,10,704	43,233		
Gul Indim	184	26	3,18,433	15,884		
Mayar	513	324	1,17,185	49,900		
GRAND TOTAL	3,168	4,479	22,84,958	12,20,088	57.1	54.8

CHAPTER V.

RATES OF INTEREST IN RURAL AREAS.

47. The stipulated rates of interest vary with the character of the borrower, the security offered by him and sometimes the purposes for which he borrows. It has not been an easy task to ascertain what the ordinary stipulated rates of interest actually are in the three provinces. In Ajmer, the Registrar of Co-operative Societies told us that 15 per cent. to 24 per cent. per annum was the usual rate of the local money-lenders and that their extraordinary rates were as high as 37½, 50, 75 and 150 per cent.; while one of his Inspectors suggested that 36 per cent. was a common rate. On the other hand, some of the agriculturists whom we interviewed admitted that 12 per cent. was quite a common rate, and some of the money-lenders sought to prove this by showing us the entries in their bonds and in the account books. Our analysis of the results of survey in 511 villages of Ajmer-Merwara, however, leaves no doubt that the ordinary or the most widely prevalent rate of interest on *mortgage* of agricultural land is 12 per cent. per annum in Jawaja, Nayanagar and Kalinjar assessment circles of the Beawar Tehsil, in the Bali circle of the Todgarh Tehsil, in the Ramser circle of the Ajmer Tehsil and in Kekri, 18 per cent. in the Chang circle of the Beawar Tehsil, 13·5 per cent. in the Bhiem circle of Todgarh, and 10·5 per cent. in the Bhagana circle in Todgarh; 9 per cent. in the Gugwana, Srinagar, and Derathu circles of the Ajmer Tehsil; and only 6 per cent. in the Pushkar and Jethana assessment circles in the Ajmer Tehsil. The stipulated rates on *unsecured* loans are appreciably higher in most circles, being 18 per cent. in Srinagar (Ajmer Tehsil), in Bali (Todgarh Tehsil) and in all the four assessment circles of the Beawar Tehsil, *viz.*, Jawaja, Nayanagar, Chang and Kalinjar, 15 per cent. in the Bhiem and Baghana circles of Todgarh, in Pushkar circle of the Ajmer Tehsil, and in Kekri, and 12 per cent. in the remaining circles of Ajmer, *viz.*, Ramser, Gugwana, Jethana and Derathu.

The ordinary stipulated rates of interest.

48. Are these stipulated rates *actually realised* by the private creditor, particularly the non-agriculturist money-lender who cannot fall back upon the sale of agriculturists' land as his ultimate means of recovery? On this important point, we have taken considerable pains to sift the truth from a mass of conflicting evidence which we received in the course of our public sittings. The first reliable piece of first hand information came from the Income-tax Officer, Ajmer, who emphatically said that "the full amount due is *never* received" by the money-lender. Officials of the Co-operative Department in Ajmer made admissions to the same effect during the course of their examination. The Registrar of Co-operative Societies, Ajmer, admitted that some of the investments made by money-lenders were "unsafe" and that "payments in some cases were made through compromise * * in kind, known as *bharna*, by giving manure, cattle, fodder, etc.". When asked what exactly he meant by *bharna*, he explained, "sometimes the price of cattle is fixed at a higher rate than what it is *really* worth". On the whole, this witness was of the opinion that "after making allowances for the return of the capital employed, either by borrowing from outside or owned, for legal expenses, management charges, incidental charges and risks involved" the money-lenders receive a "net return of 6 per cent., or $\frac{1}{3}$ rd the rate of interest they charge". The Assessment Report of the Todgarh Tehsil speaks in the same vein: "But the fact is: of course that the nominal annual interest charges are probably as a *rule* seldom satisfied in full."

49. Interesting light on this point is thrown by certain statements contained in the reports on the working of the co-operative credit societies in Ajmer-Merwara for the years ending June 1917 and 1918. In 1916-17, the officer-in-charge of the co-operative societies remarked that in carrying out the scheme of redemption of land and liquidation of old debts on behalf of the members of the co-operative societies he was able to induce money-lenders to accept in *full settlement* of their claims, 9 annas in the rupee. The report of 1918 again mentions that the *mahajans'* debt of Rs. 61,664 was compounded for only Rs. 42,546. In other words, the *mahajans* realised in

Actually realised rates
of interest.

Redemptions of land—
rate of interest.

1917-18 only 68·9 per cent. of the total debt due to them. If this debt was of 3 years' standing at 24 per cent. simple interest, the *mahajans* received only Rs. 118 for 100 at the end of 3 years, which gives only 6 per cent. simple interest. If the debt was of 2 years' standing they got only Rs. 110·9 for Rs. 100 which means less than 10·9 per cent. interest in two years or 5·4 per cent. per annum. If the debt was of 3 years' standing at 12 per cent., the *mahajans* received only Rs. 93 for Rs. 100 at the end of 3 years and if the debt was of 2 years' standing it works out at 85 for every 100 given at the end of 2 years. If the amounts had been advanced at compound interest the *mahajans* should have received at 24 per cent., 190·6 at the end of 3 years for every 100; but under this settlement they received only 131·3 for 100 which means 10 per cent. simple interest. If the rate of interest was 12 per cent. the creditor received only 97 for every Rs. 100 which means that he actually lost on the transaction.

In view of some doubts raised by the present Registrar of Co-operative Societies, Ajmer, as to the *bonâ fides* of these transactions on account of the possible collusion of the subordinates in the Co-operative Department, it is worth while quoting the relevant extract, which reads as follows:—

“ The lands redeemed were either held by mortgagees in physical possession or on *ghughri* rent. In cases where mortgagees were in actual possession of land there had been very great difficulty owing to their unwillingness to part with it and reduction in claims was all the more difficult inasmuch as the refusal of the mortgagee meant that the mortgager's course was to sue for redemption in the law courts and thus to drag the mortgagor to unnecessary and ruinous litigation. With considerable tact these difficulties were overcome and on the whole there was an all round reduction of 20 per cent. in settlement of cases of mortgages with possession. In freeing the mortgages without possession there were comparatively less difficulties and the reduction in claims amounted to 25 per cent. on an average. In compounding the old debts the *mahajans* had given no less trouble. These debts consisted of *khata* debts, bond debts, decretal debts, *ghughri* debts, and in all such cases the accounts from the very beginning were overhauled and examined before the settlement was arrived at. The Inspector of Co-operative Societies (concerned), with the Secretary of the local society, was present with the Manager of the Central Co-operative Bank who carried with him a peripatetic treasury from village to village. The *panchayat* was called, the accounts as examined by the Inspector and the Manager were explained

to them. They were then asked if they wanted to settle it. There was canvassing for some time on either side. When a reasonable figure was arrived at and when the whole *panchayat* agreed, the amount was paid then and there and receipts obtained for the sum thus settled. The reduction in claims depended on the nature of debts according as they were old or new and on the rates of interest; thus it was that Rs. 1,57,018 were paid on account of old debts and with it debts were repaid to the extent of Rs. 2,80,000, which gives on an average a reduction of 7 annas in the rupee. I had personally to do a good deal in this matter and to supervise the entire arrangements, and on the whole I was glad that a task which at one time seemed unmanageable and arduous could be overcome with tact to the entire satisfaction of the agricultural members of co-operative societies." That these were not isolated cases was further proved by the readiness of almost all money-lenders, whom we interviewed, to compound their debts for much smaller sums than their dues.

50. All this was corroborated by the account books and books containing decrees of money-lenders which some members of our committee were able to examine with the help of the superior revenue officials in Ajmer and Beawar. Full details of some of

Evidence regarding rates of interest from the account books of money-lenders.

the typical cases are given on pages 190-193 of the printed volume of evidence in Ajmer-Merwara; and these prove that in estimating the real *net* interest, due allowance has to be made for the following:—

- (1) Interest given up by the plaintiff in his plaint or at the time of settling old accounts and renewing them.
- (2) Interest not allowed by the court at the stipulated rate.
- (3) Interest not allowed by the court during the pendency of the suit.
- (4) Interest reduced or not allowed by the court *after* the date of the decree.
- (5) The number of instalments allowed *without interest* so long as instalments were paid in time.
- (6) Interest reduced or not allowed on costs.
- (7) Infructuous execution applications and inordinate delays in legal proceedings particularly those relating to execution proceedings.
- (8) Compromises made, particularly the practice of *bharna*.

(9) Absolute non-recovery so far of both principal and interest in a large percentage of cases.

Some of the money-lenders in this province summed up their statement of the actual facts as follows:—

“ On the whole out of 60 cases of agriculturist borrowers about 20 pay in full, about 20 pay half the amount and about the same number of people pay only the bare principal. To keep within the limitation period and to avoid the expenses of law courts, we have very often to feed our clients and to pay the legal expenses in order to get our bonds renewed and sometimes by agreements among ourselves show payment on the back of it without actually receiving anything from the borrower and so keep in force the debts due to us. This year, for instance we had locusts but still we had to lend for seed to agriculturists. We did it in the hope of getting some profit if the crops turned out to be good, and the agriculturists cultivated land in the hope of getting good crops. If the agriculturist does not get crops, he cannot pay us and we have to live on mere hopes.”

51. To test further the correctness of these facts we requested the judicial officers to pick out *at random* a few decided cases and send them to us for our examination. Appendix VII (b) gives a summary of the facts of each case we examined, and shows that on almost every essential point the complaints of creditors are, on the whole, substantially true.

52. Much the same is the result of our investigations in Delhi. The intensive surveys indicate the following to be the prevailing stipulated rates of interest:—

Evidence regarding rates of interest from court cases.

Names of villages.	Mortgage Debt. Ordinary rate of interest per annum.	Open Debt. Ordinary rate of interest per annum.
Silampur	Income produced from land mortgaged with possession.	Per cent. 24
Rajpur Khurd	Ditto	18

Names of villages.	Mortgage Debt.	Open Debt.
	Ordinary rate of interest per annum.	Ordinary rate of interest per annum.
Jafarpur Kalan	18 per cent.	Per cent. 18
Akbarpur Majra	Income produced from land mortgaged with possession.	12
Mohammadpur Majri	Ditto	18
Hauz Rani	Ditto	24
Jhangola	12 per cent.	15
Dallapura	Income produced from land mortgaged with possession.	24
Shahpur Jat	Ditto	21
Nangli Sakravti	Ditto	24
Jonapur	Ditto	24
Deorala	24 per cent.	24
Nangloi Sayyad.	18 per cent.	18
Masjid Moth	Income produced from land mortgaged with possession.	12

53. The actually realised rates appear to be substantially lower. The officials of the Income-Tax Department, who collaborated in the preparation of the note submitted to us, were all of the opinion that "not only the risk of losing the capital is usually very great but even when recovered, repayments are in small dozes and spread over a long period of time", and that "at the time of settlement very ample deductions are made", and that the Department's presumptive rate of realised interest for rural money-lenders based upon their examination of many account books varied between 9 and 11 per cent. The *zamindar* witnesses also agreed that the non-agriculturist money-lender's recoveries had been very small during the last ten years, that he had very often to accept in payment the borrower's cattle at a price far higher than the actual market price as recovery was impossible otherwise, and that there was generally an appreciable gap between his stipulated rates of interest and his

Actually realised rates
—Results of intensive
survey.

actual realisation by execution of a decree. The records of the cases picked up at random from the files of the law courts in Delhi strengthen these statements*.

54. In the North-West Frontier Province, the stipulated rates show a much wider range of variations, and the maximum rates are said to be much higher.

Stipulated rates of interest in the North-West Frontier Province.

Names of villages.	Mortgage Debt.	Open Debt.
	Ordinary rate of interest per annum.	Ordinary rate of interest per annum.
Chamkani	Income produced from land mortgaged with possession.	30 Per cent.
Hangu	Ditto.	30 ..
Kot Najibullah	12 Per cent.	12½ ..
Gul Imam	14 ..	12 ..
Dhamtour	12 ..	22½ ..
Ghoriwala	12 ..	18½ ..
Billitang	12 ..	36½ ..
Mayar	12 ..	27½ ..
Meddi	12 ..	18 ..
Potah	6 ..	18½ ..
Pabbi	6½ ..	21 ..
Lachi Bala	18 ..	27 ..
Shahqadar	18 ..	24 ..
Shahbaz Khel	15 ..	24 ..

The evidence is, however, very strong that the *actually realised* rates by non-agriculturist money-lenders are substantially lower. The Income-tax Officer, Peshawar, estimates the *net* return of the village money-lender at 12 per cent. per annum. Mufti Abdul Latif, Munsiff in the city of Peshawar, states: "The village money-lender in

* Vide Appendix VII.

the plaintiff claims rates of interest varying between 12 and 36 per cent. but the courts seldom award him more than 18 per cent. This is not a net return on his capital. Taking the cost of all the proceedings necessary for realising money I am of opinion that his net return would come to about 12 per cent. The bigger money-lenders' rates are generally lower and the return they get is, I believe, between 9 and 12 per cent." Nawab Sir Dost Mohammad Khan, a venerable old gentleman and a big landlord in intimate touch with his villagers, said that the rates of big *sahukars* were not at all high, that even small Hindu shopkeepers, whose stipulated rates were high, generally decreased their rates of interest substantially at the time of settlement of claims, that the village *dharwais* did not charge any interest on loans advanced for purchase of seed or purchase of a bullock, and that if there were any Hindu guests in the village it was his business to supply them with food and meet all their requirements free of cost. It was further pointed out by several witnesses that in estimating the net return on money-lending, allowance must be made for the special conditions prevailing in the North-West Frontier Province. A leading banker, Rai Bahadur Karam Chand, speaking from personal experience both as a creditor and as a member of *jirgas*, referred to section 8 of the Frontier Regulations under which *zamindars* could apply to the Deputy Commissioner that even civil cases between them and others should be dealt with by a *jirga* and said that the Council of Jirgas generally forced the money-lenders and bankers to *reduce* rates in favour of *zamindars*, quoting in support a well-known case in which though the rates settled in the bonds were as high as 12 or 15 per cent., the creditors had to agree to 8 per cent. simple interest and actually realised only 6 per cent. Another indigenous banker and a director of a joint stock bank, Rai Sahib Mehr Chand Khanna, put the position bluntly. "No banker would like to advance money to the *zamindar* because there is no security in return; and that is my position. The money would naturally be, I will say, entirely at his (*zamindar's*) mercy..... My only remedy is to go to a court of law but my trouble actually starts *after* I have obtained the decree, for when the decree has to be executed, it is rather difficult to have the land attached. Even if you have it attached, the only course is to put its lease to auction. Who will buy? You get a warrant of arrest.

He (*zamindar*) is living in a certain village and I cannot catch hold of him. Who will go in the village to arrest him..... or to spot him?" Our analysis of a few decided cases sent to us by the courts also point to the existence of a wide difference between the stipulated rates and those actually realised by the non-agriculturist creditors.*

55. The cumulative effect of this weighty evidence leaves no doubt in the mind that while the rates of *gross* interest in the rural areas of these three provinces are as a general rule high, the rates of *net* or realised interest are generally much lower.

Conclusion.

56. The system of loans in kind, *i.e.* for seed, prevails only to a small extent in the Delhi Province. The evidence as to the actual rates of interest charged on these loans in Delhi is rather conflicting. The Income-tax Officer, Delhi, stated that the creditor got $1\frac{1}{4}$ of the quantity lent by him at the time of the harvest, while the Secretary of the Central Co-operative Bank, himself a *zamindar*, speaking from his personal knowledge maintained that the rate of interest charged for cash advances was generally *higher* than that for loans in kind, and the Inspector of Co-operative Societies believed that there was no difference in the rate of interest for cash advances and loans in kind. The only reasonable explanation of this diversity of opinion seems to be that the rates differ in different parts of the province in accordance with the local custom. In Ajmer-Merwara, loans in kinds are advanced generally on the basis of what is called the *sawai* system, which means that 25 per cent. larger quantity of grain is given at the end of the harvest in repayment of the loan. The extensive survey of villages in different assessment circles of the Ajmer-Merwara Province shows that the system of loans in kind is prevalent to the extent of only 2 annas in the rupee in the Beawar Tehsil, $6\frac{1}{3}$ annas in the rupee in the Todgarh Tehsil, and 2 annas in the rupee in the Ajmer Tehsil. A detailed enquiry was made in the village of Rajiawas in the Beawar tehsil in order to ascertain the exact operation of this *sawai* system. The village money-lenders, dealers and the agriculturists assembled in that

Loans in kind.

village agreed that the general position regarding loans in kind was as follows:—

“ A loan advanced in grain is repaid in grain at the harvest time at the rate of 1 maund and 10 seers for every maund borrowed. Cotton seed, however, is repayable at par at the harvest time. The system of loans in kind and repayments in kind on the basis of 25 per cent. extra (*sawai*) does not pay the man who cannot store the produce for being sold or lent out when prices rise. For instance, if in the month of *Kartak* (November) when the price of barley is generally high, barley is lent out at the rate of 25 per cent. interest and 25 per cent. more barley is received back and sold in the month of *Chet* (March), there will be loss rather than gain, for the prices of barley are generally cheaper by more than 25 per cent. in the month of *Chet* than in the month of *Kartak*. But in case this barley is stored and sold in the outside market during the rainy season, say in the month of August or is lent out again between the months of October to December, the village money-lender or dealer can make some profit in lieu of the interest that he has lost. At the most he will gain 25 per cent. for locking up his capital for 12 months if full recovery is made and the entire amount is sold or lent out after the next *Kartak*, but ordinarily the profit is much less. This system can only be resorted to by people who have got substantial capital to lock up; others lend on cash basis even when they lend in the shape of commodities, charging interest at the same rate as prevails for cash. In the latter case corn lent out is valued in the account books at the prevailing market price in the month of *Kartak* and when repayment is made in *Chet* the produce given is also valued at the market price prevailing then, but in this case the rate of interest is not *sawai*, but varies between 12 and 18 per cent. according to the standing of the parties. The system of loans and repayments in kind on the basis of *sawai* is generally *declining*, because of the failure of crops, fluctuations in prices and the smallness in the number of money-lenders who have got substantial capital to lock up.”

57. The general trend of evidence supports the view that the rates of interest of the agriculturist creditor are never *lower* than those of the non-agriculturist money-lender. He generally lends on mortgages with

Rate of interest charged
by the agriculturist cre-
ditors.

possession but even when he does not, he has the right eventually to get hold of the land and so has no difficulty in actually realising his stipulated rates of interest. In addition to interest he exacts in some cases some form of service from his debtor, which he does not fully pay for. As against this general picture, it should be noted that in parts of the North-West Frontier Province, particularly Hazara, it is not uncommon for landlords to advance money to their tenants for seed and plough without any interest at all and that sometimes it is necessary for them to advance as much as Rs. 100 per tenant without any interest if they wish to attract and retain tenants.

58. In addition to these two types of lenders, other types are making their appearance in the rural areas, for example, the transborder money-lender

Rates of interest
charged by other credi-
tors.

and persons who specialise in advancing loans on what is known as the *rahti* system. The business of both these types is increasing in volume and the interest actually realised by the Kabuli money-lender ranges from 75 to 300 per cent. per annum. Under the *rahti* system, which we shall describe in a subsequent Chapter, the stipulated rate of interest comes to $37\frac{1}{2}$ per cent. per annum. It is widely prevalent in the Mahrauli *ilaga* and the borders of the Jumna river in the Delhi Province. Default in regular payment of the monthly instalments due under the system involves an additional penal interest at 1 anna per rupee per month. We have not been in a position to investigate and ascertain what rates of interest are *actually realised* by the lenders under the *rahti* system, but in view of the fact that loans under the system are generally taken by men who have very little security to offer, there must be an appreciable number of cases in which the lenders lose both the principal and interest in spite of the vigilance and the drastic methods of recovery with which they are generally credited.

CHAPTER VI.

SOURCES AND PERIODS OF LOANS IN RURAL AREAS.

59. To complete our review of the existing conditions of agricultural credit, we may now notice briefly the sources of borrowing in the rural areas, the relative share of each in the aggregate amount of loans outstanding, and the periods for which these loans are advanced. The results of intensive enquiries as to the relative importance of the various sources in 20 villages of Ajmer-Merwara and of the extensive enquiries in 511 villages of the same province are summarised in the tables given below:—

Villages.	Total.	Government.	Co-operative Bank.	Agriculturist money-lender.	Mahajan.
	Rs.	Rs.	Rs.	Rs.	Rs.
Rup Nagar . . .	19,326	446	3,110	8,918	6,752
Lavera . . .	68,806	251	4,900	6,244	57,411
Balad . . .	34,948	358	17,120	360	17,110
Bar . . .	28,280	263	2,454	16,759	8,804
Rajiwās . . .	52,514	270	4,477	3,148	44,619
Chat . . .	37,535	..	..	3,957	33,578
Nyran . . .	64,325	..	945	1,510	81,870
Bagar . . .	66,319	776	4,441	14,824	46,278
Sarans . . .	35,417	..	2,292	23,840	9,285
Dansarian . . .	59,796	85	200	2,455	57,056
Makrera . . .	1,64,385	..	14,965	3,240	1,46,180
Baghana . . .	50,746	260	..	2,327	48,159
Rawatmal . . .	48,321	325	858	6,867	40,271
Jaswantpur . . .	12,127	..	..	..	12,127
Saadh . . .	1,32,431	..	7,279	9,050	1,16,102
Banjari . . .	73,478	108	1,414	20	71,936
Bhagwanpura . . .	47,358	261	5,893	3,064	38,140
Galti . . .	42,414*	206	2,487	10,115	29,606
Sarmalian . . .	32,591	43	..	700	31,843
Kekri . . .	1,67,414	..	10,896	14,605	1,41,913
TOTAL OF 20 VILLAGES.	12,58,431	3,652	83,731	1,32,003	10,39,045
PERCENTAGE OF THE TOTAL.	..	·29	6·6	10·48	82·5

* Exclusive of Rs. 9,044 unclassified by the investigators.

AIMER-MERWARA.
Extensive Survey of indebtedness in 511 villages.

Name of circle.	GOVERNMENT.		CO-OPERATIVE BANK.		AGRI-CULTURIST.		MAHAJAN.		TOTAL.
	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.	Amount.
<i>Beawar Tehsil.</i>	Rs.		Rs.		Rs.		Rs.		Rs.
Jawaja	15,063	1.19	72,041	5.74	2,42,124	19.28	9,26,644	73.78	12,55,872
Nayanagar	15,388	1.19	2,04,704	15.89	3,67,554	28.51	7,01,635	54.43	12,89,281
Chang	16,341	1.79	1,04,921	11.62	1,39,279	15.43	6,41,932	71.18	9,02,478
Kalinjar	19,231	1.74	2,23,465	20.2	1,53,301	13.8	7,07,018	64.09	11,03,016
TOTAL	66,023	1.4	6,05,131	13.3	9,02,258	19.8	29,77,229	65.3	45,50,642
<i>Todgarh Tehsil.</i>									
Bhiem	4,860	.8	38,045	2.8	98,734	6.09	14,78,235	91.2	16,19,877
Baghana	3,824	.4	30,128	3.1	84,068	8.8	8,36,016	87.6	9,54,086
Bail	2,877	.2	52,690	4.4	1,12,126	9.4	10,13,370	85.7	11,81,068
TOTAL	11,561	.8	1,20,863	3.2	2,94,928	7.8	33,27,621	88.6	37,54,976
<i>Ajmer Tehsil.</i>									
Ramsar	10	.0007	1,17,409	3.7	78,747	5.8	11,44,056	85.8	18,40,222
Pushkar	1,378	.09	1,44,583	9.8	1,13,121	8.07	12,09,190	82.03	14,74,272
Gugwana	2,502	.19	1,01,623	7.9	1,20,451	9.4	10,45,884	82.1	12,70,460
Jethana	2,136	.07	27,60,865	9.6	2,33,288	9.03	23,08,836	80.4	28,65,325
Srinagar	2,818	.12	1,41,514	6.5	1,66,900	7.6	18,57,131	85.6	21,68,358
Derathu	15,255	.71	1,88,585	8.7	93,899	4.3	18,47,768	86.2	21,43,507
TOTAL	24,094	.21	9,67,779	8.5	8,62,406	7.6	94,07,865	83.5	1,12,82,144
Kekri . . . . .	..	..	10,896	6.5	14,605	8.7	1,41,913	84.7	1,67,414
GRAND TOTAL	1,01,679	.05	17,04,662	8.64	20,74,197	10.57	1,58,54,628	80.34	1,97,35,176

60. The relative share of each class of creditors in the 14 villages selected for intensive survey in Delhi is indicated on page 207 of Chapter XI. The extensive survey in 295 occupied villages of this province discloses the following results :—

Results of extensive survey of indebtedness—Delhi.

Total Debt.	Amount lent by Government.	Amount lent by co-operative societies.	Amount lent by agriculturist money-lenders.	Amount lent by Mahajans.
Rs.	Rs.	Rs.	Rs.	Rs.
90,59,097	2,35,706	5,39,601	45,66,405	37,17,385
PERCENTAGE OF TOTAL.	2.6	5.95	50.46	41.05

These figures show clearly that the Delhi Province is in the grip of the agriculturist money-lender.

61. Similar information as to the hold of the *zamindar*-creditors in the villages selected for intensive survey in the North-West Frontier Province is not available as owing to misunderstanding of the instructions issued by the Committee, the word *sahukar* has been understood to include both agriculturist and non-agriculturist money-lenders and the figures for loans due to *zamindars* collected by the village revenue staff include only the amounts lent by the *zamindars* to their own tenants.

Hold of zamindar-creditors in the North-West Frontier Province.

The information collected shows that out of the total indebtedness of Rs. 31,63,729 in the 16 villages selected for intensive survey, Rs. 71,082 were advanced by Government, Rs. 8,50,531 were lent by *zamindars* to their own tenants, Rs. 22,32,759 were lent by other agriculturist and non-agriculturist *sahukars*, and Rs. 9,357 only were contributed by the co-operative banks. This means that 26.8 per cent. of the total was borrowed by the debtors from their own landlords and 70.5 per cent. from other *sahukars*, agriculturist and non-agriculturist. In some tehsils, the *zamindars* finance their tenants to a much greater extent than this general average indicates. In the village of Dhantaur in Abbottabad Tehsil the amount of loans advanced by *zamindars* to their tenants and labourers is Rs. 1,53,704, or 74.08

per cent. of Rs. 2,07,457, the total debt of the village. In Hangu, such loans by *zamindars* to their tenants constitute 54.07 per cent. of the total; and in Ghoriwala, a village in Bannu Tehsil, 41.58 of the total.

Combining this information with the proportion of the mortgaged area in the hands of the agriculturists given in Chapter IV and the mortgage debt in each tehsil given below, we can form a rough idea of the substantial contribution made by the agriculturist creditors to the rural finance in the North-West Frontier Province:—

Districts and tehsils.	Existing mort- gaged area, 1928-29;	Mortgage money. Rs.
BANNU DISTRICT	205,370	1,59,58,028
Bannu Tehsil	46,469	66,59,029
Lakki Marwat Tehsil	158,909	92,98,999
KOHAT DISTRICT	3,881	3,59,867
Kohat Tehsil	502	67,077
Hangu Tehsil	269	54,124
Teri Tehsil	3,130	2,38,666
HAZARA DISTRICT	11,917	18,08,838
Abbottabad Tehsil	2,549	4,53,720
Haripur Tehsil	3,676	5,58,153
Mansehra Tehsil	5,692	7,96,965
DERA ISMAIL KHAN DISTRICT	262,606	58,15,183
Dera Ismail Khan Tehsil	115,412	30,90,104
Tank Tehsil	90,158	16,11,377
Kulachi Tehsil	57,036	11,13,702
PESHAWAR DISTRICT	107,181	1,76,51,170
Peshawar Tehsil	15,042	33,58,080
Mardan Tehsil	34,371	38,23,322
Swabi Tehsil	33,351	56,71,925
Nowshera Tehsil	6,793	9,57,597
Charsada Tehsil	17,624	39,40,246
TOTAL		<u>8,32,86,172</u>

62. The figures given in the table on page 384 of Chapter XXIII bring out clearly the small part that the *takavi* system of Government plays in agricultural credit. But, though the total amount advanced is relatively small, our examination of the intensive survey of some of the selected villages in Delhi does not

Takavi plays only a small part in agricultural credit in Delhi.

support the impression created by the oral and written evidence before us that *takavi* loans are given only to a few. The relevant statistics on the point are given below :—

No.	Villages.	Total No. of families.	No. of families who availed themselves of <i>takavi</i> loans.	Total indebtedness of these families.	Percentage of <i>takavi</i> to total indebtedness of these families.
				Rs.	
1	Jhangola	27	27	31,231	4.6
2	Akbarpur Majra	25	13	11,125	6.0
3	Mohammadpur Majri	25	...	...	...
4	Nangloi Sayyad	36	35	33,011	5.5
5	Deorala	21	21	29,062	7.5
6	Jafarpur Kalan	71	40	13,584	2.7
7	Rajpur Khurd	31	12	7,779	1.6
8	Jonapur	56	9	11,325	3.0
9	Shahpur Jat	78	12	31,252	2.6
10	Masjid Moth	66	1	6,125	8.5
11	Dallupura	57	32	18,170	3.9
12	Silampura	49	...	...	...
13	Nangli Sakravti	48	35	28,995	14.6
14	Hauz Rani	100	59	32,236	2.3

63. The state of affairs in Ajmer-Merwara is materially different as the following analysis of *Takavi* loans in Ajmer-Merwara. the intensive survey will show :—

No.	Villages.	THE NUMBER OF FAMILIES.			Amount of <i>takavi</i> received.	Total debt of proprietors and tenants.	Percentage of <i>takavi</i> loans to the total debt of cultivator and proprietors.
		Total.	Proprietors and tenants.	Proprietors and cultivators getting <i>takavi</i> loans.			
						Rs.	
1.	Rupnagar	111	103	25	446	17,496	2.73
2.	Lavera	84	78	2	251	68,806	.38
3.	Balad	140	101	9	358	34,948	1.02
4.	Bar	87	85	9	263	27,265	.96
5.	Rajlawas	241	233	8	270	56,414	.49
6.	Chat	39	37	..	..	..	..
7.	Nayran	134	127	..	..	..	..
8.	Bagar	153	143	18	776	61,964	1.24
9.	Sarana	98	96	..	..	..	..
10.	Danesaryan	99	92	8	75	24,495	.81
11.	Makrera	225	165	..	..	..	..
12.	Bhagana	169	135	14	290	36,964	.70
13.	Rawatmal	108	108	13	325	41,582	.78
14.	Jaewantpura	50	47	..	..	..	..
15.	Sanadh	212	201	..	..	..	..
16.	Banjari	143	113	5	108	68,072	.16
17.	Bhagwanpura	59	57	12	261	47,358	.55
18.	Galti	108	88	12	306	49,248	.51
19.	Sermalian	60	55	2	43	3,259	1.32
20.	Kekri	843	843	..	..	..	..
	TOTAL	3,162	2,916	187	3,644	5,27,874	0.69

64. No clear distinction is observed by the various classes of creditors in respect of long period and short period loans, except so far as Government grants *takavi* loans under easy terms for land improvements for long periods and co-operative mortgage societies and banks advance varying amounts for long periods under special terms in Ajmer-Merwara. Generally speaking, in Ajmer-Merwara the local money-lenders advance loans for (a) cultivation purposes and (b) for special needs (e.g., for maintenance during scarcity or famine) for 6 months to one year, and for (c) capital expenditure for periods up to three years; Government gives loans under the Agriculturist Loans Act for (a) and (b) for 3 to 10 years and under the Land Improvement Loans Act up to 20 years; while the agricultural co-operative credit societies accommodate their members for (a) and (b) upto 6 months to three years and for (c) for varying periods not exceeding 20 years. In Delhi, loans for cultivation purposes, and for payment of land revenue or purchase of food or fodder during scarcity, are given for one harvest (6 months), those for purchase of cattle from one year to two years, and for permanent improvements upto three years, loans for longer periods being practically unknown except *takavi* loans under the Land Improvement Loans Act. In the North-West Frontier Province, the private lender gives loans usually for an indefinite period, but when loans are given by the village *dharwai* without interest for cultivation purpose, there is a clear understanding that they will be repaid at the next harvest. Co-operative societies in that province have fixed 6 months as the maximum period for trade purposes, 3 years for agricultural purposes, and 3 years for liquidation of old debts.

65. As noted elsewhere, a very large percentage of the existing rural debt has been incurred for purposes which really require loans for long periods and intermediate terms. Almost everywhere there is a great demand for intermediate term loans for purchase of cattle and for expenditure on marriage and other social ceremonies, and for long term loans to redeem lands, to liquidate old debts, and to effect improvements on land by sinking new wells, by deepening old ones, by constructing *bunds* and tanks. Except in Ajmer-Merwara, where there are a few mortgage societies and mortgage banks doing a limited

Rural debt mostly for long periods.

amount of business in long term loans, there are no special credit institutions specially designed or adapted to meet the demand for long period loans. The period for which private creditors occasionally grant long period loans does not generally exceed 5 to 7 years as they are naturally anxious to have a rapid and safe turnover of their limited capital. *Takavi* loans for long periods are very limited in amount. The co-operative credit societies do, as a matter of fact, grant to their members a limited amount of loans for purposes which necessitate repayment spread over a long period, but neither these nor the co-operative mortgage banks in Ajmer, which are financed by the central banks, can safely advance large sums of money for long periods, as their funds are supplied mostly by deposits for periods ranging between one and three years. The security, against which long period loans can be advanced, is not regarded as sufficiently attractive by the non-agriculturist money-lenders and the public institutions like the joint stock banks. In the case of *istimarardars* in Ajmer-Merwara, the difficulties in obtaining long period credit are particularly great, since under the law not only they cannot mortgage or sell their lands but also their debts are not a liability on their estate after their death.

There is thus a serious gap in the machinery for the supply of agricultural credit in rural areas.

CHAPTER VII.

INVESTMENT HABIT IN RURAL AREAS.

66. We have so far looked at only one side of the problem of banking for the rural areas. Credit facilities can be extended only if there is a constant and increasing supply of banking funds, and this can only come from the real savings of the people. Almost all the witnesses who gave evidence on the rural side of the problem were unanimous in the view that a large majority of the agriculturists had no savings to invest. The holdings in all the three provinces are, for the larger part, uneconomic, and *primâ facie* the majority of the agriculturists cannot, therefore, have the capacity to save out of their income from *agriculture* in *normal* years. But the agricultural crops are not the only source of income of the people, and the intensive surveys of the selected villages show that quite a substantial amount of the net income of the people is drawn from sources other than agricultural crops. And though the results of intensive enquiries have convinced us that it is not possible for the *majority* of the people to have a surplus income from agriculture in normal years, it does not necessarily follow that the amount of savings by the *minority* of the people is in the aggregate insignificant. Within the limited time at our disposal, it has not been possible for us to analyse carefully the figures of income and expenditure, entered by the revenue staff for the residents of all the villages under investigation. But we have attempted to form an estimate of the exact volume of savings in 6 villages of Ajmer-Merwara and 10 villages of the Delhi Province. We have in the case of each individual taken into account his net income from all sources, his ordinary domestic expenditure and a fair allowance for necessary annual provision for extraordinary non-recurring expenditure on objects such as marriage, funeral ceremonies, etc., on the scale which, according to the statements of the villagers themselves, prevails in each village. Our investigations in 6 villages of Ajmer-Merwara show that 201 families out of 662 families may fairly be estimated to have a surplus income of Rs. 26,426 a year or an average of Rs. 131·4 per family. Deducting interest on their net debt, the net surplus per

family works out at Rs. 29·8, which suggests that the total net surplus for rural families in Ajmer-Merwara is in the neighbourhood of Rs. 23,34,372 in a normal year. Similar calculations for rural Delhi indicate Rs. 30,77,620 as the volume of its rural savings. The relevant statistics are given below :—

Volume of savings in 6 villages of Ajmer-Merwara.

Names of villages.	VILLAGE AS A WHOLE.			PROPRIETORS.			CULTIVATORS.			LABOURERS.		
	No. of families	Families having surplus.	Volume of surplus.	No. of families.	Families having surplus.	Volume of surplus.	No. of families.	Families having surplus.	Volume of surplus.	No. of families for which entries are made.	Families having surplus.	Volume of surplus.
			Rs.			Rs.			Rs.			Rs.
1. Galdi	108	13	727	82	8	498	11	4	200	15	1	29
2. Chat	89	8	253	27	6	245	10	2	7	2	..	..
3. Bupnagar	111	59	8,414	87	42	5,230	7	6	1,285	17	11	1,868
4. Laversa	84	35	4,309	70	30	3,325	8	2	53	6	3	431
5. Rajlawas	233	66	9,202	222	64	8,947	11	2	25	..	..	..
6. Bar	87	20	3,522	65	19	2,322	22	1	900	..	..	..
TOTAL	662	201	26,427	558	169	21,417	6	17	2,680	40	16	2,528

Debt of those who have surpluses in 6 villages of Ajmer-Merwara.

Villages.	VILLAGE AS A WHOLE.		PROPRIETORS.		CULTIVATORS.		LABOURERS.	
	No. of families having net debt and amount.		No. of families having net debt and amount.		No. of families having net debt and amount.		No. of families having net debt and amount.	
	No.	Amount.	No.	Amount.	No.	Amount.	No.	Amount.
		Rs.		Rs.		Rs.		Rs.
1. Galti	5	1,015	4	915	1	100	Nil.	Nil.
2. Chat	6	4,758	5	4,740	1	18	Nil.	Nil.
3. Rupnagar	31	6,363	27	5,453	Nil.	Nil.	4	910
4. Lavera	29	28,933	26	26,783	2	2,100	1	50
5. Rajiawas	35	9,219	34	9,119	1	100	Nil.	Nil.
6. Bar	15	5,682	15	5,682	Nil.	Nil.	Nil.	Nil.
TOTAL	121	55,970	111	52,692	5	2,318	5	960
Interest at 12 per cent.		6,716		6,323		278		115

Net surplus in 6 villages of Ajmer-Merwara.

	Total No. of families.	No. of fami- lies having surpluses.	No. of families out of these having net debt.	Interest at 12 per cent. on net debt,	Net surplus per family.	Net surplus per family having it.	Estimate of Net surplus in rural Ajmer- Merwara.
				Rs.	Rs.	Rs.	Rs.
A. Villages as a whole	662	201	121	6,716.4	29.8	98.1	23,34,372
B. Proprietors	553	169	111	6,323.04	27.3	89.3	..
C. Cultivators	69	17	5	278.16	34.7	141.2	..
D. Labourers	40	15	5	115.2	55.3	147.8	..

Statement showing surplus income of 10 villages of intensive survey in the Delhi Province.

Names of villages.	VILLAGE AS A WHOLE.			Net surplus after deducting interest on debt.	PROPRIETORS.			CULTIVATORS.			LABOURERS.		
	Total No. of families for which entries are made.	Families having surplus.	Surplus of net income over domestic expenditure.		Total No. of families.	Families having surplus.	Surplus.	Total No. of families.	Families having surplus.	Surplus.	Total No. of families.	Families having surplus.	Surplus.
			Rs.		Rs.			Rs.			Rs.			Rs.
1. Jhangola . .	27	11	986	—78	27	11	986	..	..	..	..	..	..
2. Moham mad pur Majri.	41	15	6,889	5,684	21	10	6,841	4	2	1,001	16	8	57
3. Mangol Sayyad .	56	11	1,446	1,084	19	2	821	17	1	480	19	7	105
4. Decrala . .	26	2	204	—398	15	2	204	7	..	..	4	..	..
5. Nangli Sakravti .	65	18	1,999	787	44	10	1,221	6	1	185	15	2	202
6. Rajpur Khurd .	81	29	6,500	4,609	29	27	6,078	2	2	427	..	..	..
7. Shahpur Jat .	139	56	49,460	36,400	83	45	29,918	7	5	1,256	48	2	356
8. Masjid Moth .	84	34	5,184	86	19	12	1,977	15	8	1,511	36	14	1,696
9. Haus Bam .	130	18	1,111	888	96	10	964	4	..	..	30	8	147
10. Bilampur . .	72	40	2,979	509	36	21	2,009	18	2	48	23	17	922
TOTAL .	651	329	77,908	49,476	383	150	49,964	75	21	5,899	186	53	3,665
Average surplus per family having surplus.	..	340.2	..	..	..	..	333.0	..	..	280.8	..	..	69.1

Villages.	No. of such families having debt.	Amount of Debt.
		Rs.
1. Jhangola	10	1,009
2. Mahammadpur Majri	4	22,542
3. Nangloi Sayyad	8	3,425
4. Deorala	2	4,973
5. Nangli Sakravti	13	7,994
6. Rajpur Khurd	22	1,889
7. Shahpur Jat	49	59,235
8. Masjid Moth	22	42,485
9. Hauz Rani	15	1,910
10. Silampur	35	20,495
TOTAL	180	1,65,957

Net surplus in the 10 villages of Delhi.

Total No. of Villages.	Total No. of families.	Total No. of families having surpluses.	Total No. of indebted families out of these.	Interest at 12 per cent. on gross debt.	Net surplus per family.	Net surplus per family having surplus.	Net estimated surplus in rural Delhi.
				Rs.	Rs.	Rs.	Rs.
10	651	229	181	28,432	76-0	216-04	30,77,620

Even these estimates are really under-estimates, for the annual provision made for extraordinary expenditure would not be spent every year, but would accumulate up to the time when the occasion for such expenditure arises and should be available during the interval for investment in the banking system for a considerable period of time.

67. Apart from these generalisations based on a limited number of family budgets, we have other and more reliable evidence of a considerable amount of rural savings in the aggregate. Money-lending is not a specialised occupation confined to certain castes but is carried on by all sorts of

people, including widows, whenever they have the means to do so. A considerable portion of agricultural savings are utilised in this manner, and the agriculturists in these areas are in a specially favoured position as lenders, as under the law regarding alienations of land the security of land is available to them, whereas the non-agriculturist money-lenders have to depend on the security of only crops or movables. We have already shown in Chapter VI that the amount of loans advanced by the agriculturist money-lenders aggregate to Rs. 20,74,196 in Ajmer-Merwara, Rs. 45,66,405 in Delhi Province, and that 75 per cent. of the mortgage debt of the North-West Frontier Province, amounting to over Rs. 8,32,86,172, is due to agriculturists in addition to seasonal loans advanced by the *zamindars* to their tenants. We have also referred to the fact that the sale value per acre of land is increasing. Since the introduction of the Punjab Land Acquisition Act, no non-agriculturist can buy land; and it must, therefore, be presumed that, with the increase in the area of the land sold, an increasing amount of money is being invested by the bigger agriculturist in the purchase of land. The value of house property also forms in the aggregate a substantial amount as will be pointed out in a subsequent chapter. The general tenor of the evidence in each of these three provinces also points to the fact that one of the most favourite forms of investment of rural savings is purchase of gold and silver ornaments.

68. How very large in the aggregate is the value of these gold ornaments is brought out strikingly by the following tables compiled from the results of intensive survey in the selected villages of the three provinces:—

Gold and Silver.

GOLD AND SILVER.

Ajmer-Merwara.

No. of villages taken.	Total gold and silver.	Total No. of families, for which figures are available.	Gold and silver per family.	Total number of families having gold and silver.	Gold and silver per family having them.	Total number of persons in the families.	Gold and silver per person.	Gross debt per family.	Net debt per family.	Gross debt per indebted family.	Gross debt per really indebted family.	Net debt per really indebted family.	Estimate of total gold and silver in rural Ajmer-Merwara.
	Rs.		Rs.		Rs.		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
20	8,28,074	8,151	104.2	2,708	121.8	14,482	22.7	898.08	328.3	518.2	509.2	478.6	81,70,505

Delhi.

No. of villages taken.	Total gold and silver.	Total No. of families taken.	Gold and silver per family.	Total No. of families having gold and silver.	Gold and silver per family having them.	Total number of persons in these families.	Gold and silver per person.	Gross debt per family.	Net debt per family.	Gross debt per indebted family.	Gross debt per really indebted family.	Net debt per really indebted family.	Estimate of total gold and silver in rural Delhi.
	Rs.	•	Rs.		Rs.		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
14	80,822	906	89.2	502	148.8	5,801	15.2	856.8	707.0	980.8	980.8	940.6	86,12,144

* These are calculated on the basis of figures for 759 families (vide page 48) as similar figures for the remaining 147 families are not available.

GOLD AND SILVER.

North-West Frontier Province.

Statistics relating to Gold and Silver in selected villages.

No. of Villages taken. 1	Total No. of families. 2	Total gold and silver. 3	Gold and silver per family. 4	Total No. of families having them. 5	Gold and silver per family having them. 6	Gross debt per family. 7	Net debt per family. 8	Estimate of gold and silver in the province. 9
		Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
12*	3,686	8,49,211	[230-4	[1,691	530-4	[432-7	369-8	3,36,72,327
]					
12*	2,720	2,43,261	89-5	1,033	235-5	146-9	139-2	1,27,71,773
11†	861	76,486	88-8	369	207-3	169-0	168-88	2,62,925
12*	985	118,009	120-2	..	..	..	..	..
12*	287	75,568	263-3	207	365-0	..‡	..‡	..‡

* Viz., Shabqadan, Manki, Lachi, Hango, Bihitang, Dhantour, Kotnajibullah, Panodheri, Ghoriwala, Potah, Maddi, and Gul Imam.

† Excluding Kotnajibullah for which figures for columns (6 to 8) have not been sifted by the Investigators.

‡ Separate figures not analysed by the Investigators.

*Estimate of gold and silver with the rural population in the
North-West Frontier Province.*

No. of villages taken.	Amount of gold and silver.	Total No. of families of these villages.	Gold and silver per family.	Estimate of gold and silver with the rural population.
12	Rs. 12,86,049	7,678	Rs. 167-5	Rs. 629,10,734

It is interesting to note that in these villages of the North-West Frontier Province the amount of gold and silver per family exceeds both the gross and net debt per family of proprietors, cultivators and landless labourers.

69. It is plain that a very large amount of rural savings is at present invested in forms which cannot but be regarded as uneconomic. Purchase of gold and silver ornaments leads to no economic gain. It only results in loss by wear and tear. The bullion dealers in Beawar estimated that silver ornaments lose their value by about 1/16th every year and that gold ornaments depreciate in the ratio of 16 : 14 in a decade. Investment in house property is uneconomic for those who have any debts to pay, for the interest on the debt ordinarily exceeds the commercial rent which they will have to pay for house accommodation. Mortgage with possession is only a half way house to purchase of land, and does eventually lead to it. And all accounts agree that investment in land at its present inflated values does not yield to the owner more than 2½ to 4 per cent. per annum. Detailed enquiries as to the net return from land were made in the village of Rajiawas, in Beawar, and in the village of Sahibabad Daulatpur, in the Delhi Province, and these enquiries only confirmed the general trend of the evidence on the subject. The results of intensive survey in 20 villages also corroborate the fact that the cultivation of agricultural crops at the present inflated values of land is not at all a paying industry (*vide* pages 136-140). Apart from the extravagant expenditure on marriages, litigation, etc., which undoubtedly exists in a certain number of cases, the savings of the rural population are at present directed to forms which militate against the increase of banking funds in the rural areas. The problem is not merely an economic one but a social one at bottom, for the lure of gold is rooted in social customs and laws of inheritance. The rural areas cannot always depend on urban savings. With the growth of

industry in urban areas there will be an increasing demand on the urban population to supply the necessary capital for large industries. But throughout the course of our enquiry we found a very inadequate appreciation on the part of even intelligent and highly educated witnesses of the basic fact that the growth of banking is impossible without the growth of savings. We feel that all well-wishers of the agriculturists must lay much more stress upon this cardinal fact than has been done so far, and suggest that a determined campaign in favour of thrift and economy in the rural areas should be led by all agencies of social reform, particularly the co-operative movement.

70. It is sometimes believed that a portion of spare money in the country goes underground, but the replies that we have received to our questionnaire on this subject show that the habit of hoarding is not at all common. It is true that any one burying his money does not publish the fact, but with the security of life and property which the country has been enjoying the habit appears to be dying out.

71. The organised institutions in existence for the encouragement of the investment habit in rural areas are the post office and co-operative societies. Very little rural savings appear to be invested in banks, there being no branches of joint stock banks or the Imperial Bank of India except at the seats of the Administrations and in some of the larger towns in the North-West Frontier Province. Investment in life insurance or in stocks and shares is almost unknown to the average agriculturist; nor are there any investment trusts in these areas.

72. The table below shows the total amount of deposits, withdrawals and the excess of deposits over withdrawals in the rural post office savings banks in these Areas during 1928-29.

Province.	Deposits.	Withdrawals.	Excess of deposits over withdrawals.
	Rs.	Rs.	Rs.
North-West Frontier Province*	15,41,324	9,10,244	6,30,980
Ajmer-Merwara	3,26,734†	2,02,476‡	1,24,258
Delhi §	57,466	55,719	1,747

* For 86 Post office savings banks excluding those in Peshawar (city and cantonment), Abbottabad, Haripur, Nawanshahr, Dera Ismail Khan, Bannu, Nowshera, Kohat, Mardan, Thal Bafa, Kulaehi, Tank, Chusadda, Lalki Marwat, Cherat, Janrud, Risalpur and Tangi.

† For the whole of Ajmer-Merwara excluding Ajmer, Beawar and Nasirabad.

‡ For only Bhilwara, Bijainagar, Gulabpura, Kalsarzanj, Kekri, Kishangarh, Madanganj, Sarwar, Puchkar, Shahpur Rai, Badanwara. The total deposits in these amounted to 2,87,047.

§ For only Mahrauli, Najafgarh and Shandara.

The replies that we have received to our main questionnaire as well as to our special questionnaire for postal officials indicate that a very small proportion of rural savings are deposited in the post office due probably to the fact that the rate of interest, *viz.*, 3 per cent., on savings bank deposits and $5\frac{1}{4}$ per cent. (compound interest) on cash certificates offered by the Post Office does not appeal to the agriculturist who is accustomed to receive and pay a very much higher rate. Moreover the rules of the Post Office, though simple enough for a literate person, are probably difficult for an illiterate depositor to understand or to follow. Generally speaking, only literate classes having fixed monthly incomes, *e.g.*, employees in Government and other offices, who have not required leisure for money-lending or petty trade, resort to these methods of investment.

73. Post offices doing savings bank business undertake to purchase on behalf of depositors Government securities up to the value of Rs. 5,000 in a year subject to a limit of Rs. 22,500 for each investor, and also undertake their safe custody and sale. The interest on the securities so purchased is exempt from income-tax so long as they remain in the custody of the post office, and no fee, commission or brokerage of any kind is charged for their purchase, sale or safe custody. These facilities, however, are not availed of to any appreciable extent by the rural population.

74. In our chapter on co-operation we have given some statistics showing the extent of rural deposits in co-operative societies. These are very small at present. Neither the investment habit nor the co-operative spirit has developed sufficiently among members to make them loyal to their society or to lead them to keep their deposits with it, instead of investing it in uneconomic ways.

CHAPTER VIII.
CAUSES OF RURAL INDEBTEDNESS
AND
ITS GENERAL REMEDIES.

75. We are now in a position to form an idea as to the causes of rural indebtedness in the three Centrally Administered Areas. The extensive survey of the indebtedness of the cultivators in 511 villages of Ajmer-Merwara and the intensive survey of selected villages both in Delhi and the North-West Frontier Province indicate that the bulk of the amount borrowed is either for productive or for necessary purposes and that the only items which, apart from interest on old debts, admit of some reduction under pressure of social reform or under the influence of the co-operative movement, are expenses on marriage and social ceremonies. The relevant statistics taken from the intensive surveys have already been given on pages 70—77; and the results of the extensive survey in Ajmer-Merwara are summarised below:—

	Rs.
I.—Productive purposes—	
(1) Seed and manure	30,40,645
(2) Rent and land revenue	50,177
(3) Payment of wages to labourers	61,272
(4) Sinking of wells and agricultural improvements	7,08,198
(5) Purchase of land and bringing fallow land under cultivation	6,83,729
(6) Improved agricultural implements	1,230
(7) Purchase of cattle	17,04,763
(8) Trade	1,42,808
	<u>63,92,827</u>
II.—Unproductive but necessary purposes—	
(1) Repayment of earlier debts and interest thereon	56,08,944
(2) Construction of Houses	1,42,868
(3) Famine and other kind of distress	14,81,473
(4) Education of children	6,295
	<u>72,39,580</u>
III.—Unproductive and at least partly unnecessary or undesirable purposes—	
(1) Marriage and social ceremonies	59,58,247
(2) Litigation	1,44,522
	<u>61,02,769</u>

In the face of these figures it is not possible to make the general statement that the *major* cause of the indebtedness of the agriculturist is his extravagance or his habit of indulging in social expenditure on marriages, ceremonies and litigation much beyond his means. But if it is safe to generalize on the basis of intensive surveys in a few villages in each province, half the total debt in Delhi and more than half the debt in the North-West Frontier Province is due by the agriculturist whose holdings are more than 10 acres in size. In the case of these men, the two major causes of indebtedness appear to be their extravagance and their un-economic investment of their surplus money in normal years. Occasionally, bad years no doubt account for their borrowing for unproductive but necessary purposes; but they are certainly in a position to lay by something for the rainy day during years of prosperity if only they have the will and the sense to do so, and even if they are obliged to borrow for productive purposes every year, that cannot be a permanent cause of their indebtedness since in normal years the crop loans can easily be paid off out of the gross proceeds of the harvest.

76. The case of those whose holdings are below 10 acres stands on a different footing altogether. Our intensive enquiries in these Areas raise grave doubts whether, under the present conditions of farming, the cultivation of agricultural crops in these Areas is a paying industry at all. The following figures sum up the position of this industry in 14 villages selected for intensive survey in Delhi, 20 villages in Ajmer-Merwara, and 12 villages in the North-West Frontier Province:—

Is agriculture a paying industry?

AJMER-MERWARA.

Is agriculture a paying industry?

Village.	Gross income from agricultural crops in a normal year or good year.	Land Revenue and rent.	Expenses of cultivation.†	Wages of persons working in their own field at Rs. 120 a year per worker.		Net capital invested (i.e., capital owned minus capital borrowed.)	Interest at 6 per cent. on the net capital invested in land.
				Workers.	Amount.		
	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
1. Bupnagar	12,180	886	6,819	887	46,440	67,000*	4,020
2. Lavera	18,769	638	3,161	151	18,120	68,000	3,780
3. Balad	7,876	1,312	6,240	126	15,120	1,18,000	6,780
4. Bar	12,771	4,817	8,059	162	19,440	63,000	3,780
5. Rajlwas	25,045	3,723	10,766	580	69,600	2,18,000	12,780
6. Chat	7,139	509	2,882	64	7,680	22,500	1,350
7. Nayran	43,646	8,881	9,882	239	28,680	2,20,000	18,200
8. Bagar	27,028	7,527	7,859	620	74,400	1,40,000	8,400
9. Sarana	20,829	3,820	10,136	146	17,520	1,85,000	5,100
10. Danseryan	11,529	1,488	5,028	866	42,720	1,80,000	10,800
11. Makrera	88,402	5,717	16,794	297	85,640	2,58,000	15,480
12. Baghana	28,514	5,152	6,788	558	66,360	74,600	4,476
13. Rawatmal	9,412	2,214	3,888	259	81,080	58,000	3,450
14. Jaswantpura	9,250	572	3,468	111	18,820	50,000	8,000
15. Sanadh	46,121	2,807	8,798	457	54,840	4,38,000	26,280
16. Banjari	15,042	685	4,700	316	37,920	69,700	4,182
17. Bhagwanpura	10,723	1,798	2,881	175	21,000	55,000	3,800
18. Galk	10,068	901	6,672	265	31,800	1,85,800	11,148
19. Barmallan	16,582	1,157	4,553	186	22,820	1,25,500	7,529
20. Kekri	1,21,461	81,640	26,852	1,746	2,08,520	5,06,000	30,396
TOTAL	4,77,270	85,082	1,50,191	..	7,71,960	30,84,858	1,79,261

* Rounded off to the nearest hundred.

† Includes depreciation of bullocks,

DELHI.

Is agriculture a paying industry?

Villages.	No. of families of owners and cultivators taken.	Gross income from agriculture in normal or good year.	Land Revenue and rent.	Expenses of cultivation.†	Net income from agriculture.	Wages of persons working in their own field.		Capital invested.	Interest at 8 per cent. on the capital invested.	Total of Col. 7 and Col. 9.
						No.	Amount.			
	1	2	3	4	5	6	7	8	9	10
1. Jhangola	15	Rs. 8,320	Rs. 205	Rs. 2,190	Rs. 925	47	5,640	11,906	614-36	6,254-4
2. Akbarpur Majra	26	8,431	1,974	[8,230	207	68	8,160	3,28,616	19,716-9	26,967-9
3. Mohamadpur Majri	25	7,387	610	2,012	4,764	88	10,560	1,58,408	9,504-36	20,064-36
4. Nagola Sayyad	36	16,451	3,776	7,590	5,096	50	6,000	1,88,520	11,311-2	17,311-2
5. Deorala	22	10,600(a)	886	3,097	6,667	12	1,440	75,265	4,517-0	5,957-0
6. Jafarpur Kalan	71	26,321	1,642	8,779	15,901	177	21,240	1,53,549	9,212-94	30,452-9
7. Nangli Sakravati	52	25,942(b)	1,183	8,422	16,508	122	14,640	27,788	1,667-28	16,307-28
8. Rajpur Khurd	20	30,609	4,938	15,149	10,202	103	12,360	68,336	4,103-16	16,463-16
9. Jonapur	37	22,404	1,387	14,532	6,455	146	17,520	1,79,685	10,779-0	28,299-0
10. Shahpur Jat	90	1,31,788(c)	8,660	48,860	74,268	288	34,560	8,15,570	18,934-20	53,494-20
11. Masjid Moth	28	26,780	3,510	16,454	6,816	62	7,440	26,125	1,567-50	9,007-50
12. Hauj Raul	100	1,532	2,012	14,937	-15,417	101	12,120	1,28,719	7,423-14	19,543-14
13. Daulupura	57	14,580	1,023	12,337	1,170	180	21,600	52,899	3,173-34	24,773-34
14. Sitampur	49	14,082	1,452	25,917	-13,237	74	8,880	1,89,037	11,342-22	20,222-22
TOTAL	628	8,40,177	32,328	2,04,736	1,07,993	1,518	1,82,160	18,99,431	1,13,965	2,96,125

* Owners who cultivate their own land only are taken.

(a) Normal year 1926-27 is taken.
(b) Normal year 1927-28 is taken.

† Includes depreciation of plough cattle.
(c) Normal year 1924-25 is taken.

NORTH-WEST FRONTIER PROVINCE.

Is agriculture a paying industry?

Names of villages.	Gross Income for Agriculture.	Land revenue and rent.	Expenses of cultivation.	Wages of workers in their own fields at Rs. 120 a year per worker.	Net capital invested (i.e., capital owned minus capital borrowed).	Interest at 6 per cent. on the net Capital invested in land.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Shabqadar	1,91,507	13,014	18,990	34,080	25,92,188	1,55,532
Laohi	26,358	2,724	20,422	82,680	3,40,896	20,454
Hangoo	42,913	11,497	10,417	16,680	20,61,567	1,23,694
Billitang	45,630	841	20,305	57,480	2,33,583	14,014
Dhamtour	1,44,715	33,074	58,711	42,360	31,55,762	1,89,345
Kot Najibulla	40,881	5,136	8,612	24,120	15,55,441	93,327
Panodheri	42,890	1,716	14,646	37,680	2,46,836	14,811
Ghoriwala	1,85,234	6,124	34,068	46,800	16,56,323	99,379
Potah	1,53,906	23,964	57,873	5,280	18,27,804	1,09,668
Maddi	1,88,768	40,509	49,491	23,400	10,78,459	64,707
Gul Imam	1,74,503	35,597	1,01,361	20,760	62,51,753	3,75,105
GRAND TOTAL	12,37,305	1,74,196	3,94,896	3,91,320	2,10,00,612	12,60,018

It is plain that in quite a large number of cases it will be a paying proposition for the agriculturist to sell his land, invest the proceeds in co-operative banks and be a landless labourer on even 5 annas a day. The year for which the income from agricultural crops has been taken in these investigations is either an average year or above the average in point of crop yield, and if this be the net return from agricultural crops in such years the position in a year of scarcity must be decidedly worse.

How serious must have been the position in the Delhi Province for these small agriculturists can easily be judged from the frequent suspensions of large amounts of land revenue since the last settlement (1900-9). We are indebted to the Revenue Assistant, Delhi, for the following figures for remission or suspension of land revenue :—

		Rs.
<i>Kharij</i>	. . . . . 1911	5,149
<i>Kharij</i>	. . . . . 1913	12,192
<i>Rabi</i>	. . . . . 1914	18,996
<i>Rabi</i>	. . . . . 1916	9,182
<i>Kharij</i>	. . . . . 1917	9,990
<i>Rabi</i>	. . . . . 1918	6,841
<i>Kharij</i>	. . . . . 1918	66,974
<i>Rabi</i>	. . . . . 1919	32,402
<i>Rabi</i>	. . . . . 1921	15,006
<i>Kharij</i>	. . . . . 1928	60,639
<i>Rabi</i>	. . . . . 1929	31,288

In these circumstances even productive loans for crop purposes cannot be repaid out of the produce of the harvest and must tend to be merged in old debts. Quite a substantial number of persons in these provinces cannot, therefore, be helped by mere credit facilities or even credit control so long as the root cause, namely, the unsound economic conditions of agriculture in these Areas, continues.

77. Under economic conditions such as these, it is ruinous for a man to borrow even at the rate of interest charged by the co-operative societies in order to purchase or redeem land; and loans for this purpose are no better than unproductive loans. At the present inflated values of land it is uneconomic even for the bigger agriculturist to invest his savings in the purchase of more land; and yet the greater part of the saving in normal years of the substantial agriculturists is invested in pur-

Borrowing for purchase of land or investment in land is uneconomic.

chasing or mortgaging more land and not in forms that will increase the productivity of the land in their possession, or that will increase their income from other sources. Few seem to realize that under the present conditions investment in the purchase of land in a luxury which only the rich can afford.

78. Another form of uneconomic investment by the rural classes is the purchase of gold and silver ornaments. The figures given in the chapter on investment habit in rural areas prove conclusively that a large portion of the agriculturist debt could be wiped off if he only mobilized his savings now locked up in barren gold and silver.

79. It is also to be remembered that quite a large number of agriculturists seem to invest in house property beyond their means. The figures given below show how substantial are the amounts invested in this form compared to the net debt per rural family particularly in Delhi:—

I.

House Property in rural Delhi.

(1) No. of villages taken.	(2) Total No. of families owning houses.	(3) Total value of house property. Rs.	(4) House property per family owning it. Rs.	(5) House property per family. Rs.
14	874	5,25,246	600·9	575·1

II.

(House Property) in Ajmer-Merwara.

(1) No. of villages taken.	(2) Total value of house property. Rs.	(3) House property per family. Rs.	(4) House property per person. Rs.
20	9,12,436	288·5	63·2

80. Apart from these economic causes, the indebtedness of the agriculturists is due in no small measure to their character. Few of them seem to realize that a loan is repayable. Fewer still among the indebted families consider that debt is not an inevitable incident of life or are prepared to make an honest effort to cast off the load of debt. Almost none appreciates an honest creditor if he is strict in recovery. A higher rate of interest with reduction at the time of settlement or frequent renewals and compromises is pre-

ferred by them to a low rate of interest with insistence on punctual repayment and full recovery.

81. This brief examination of the causes of indebtedness suggests the general nature of the remedies required. The bigger agriculturists needs credit *control* rather than credit facilities, except for repaying old debts, and must be educated to invest his savings in better forms of investments, and to augment the volume of savings in rural areas. The smaller agriculturist who has an economic holding requires extension of cheap credit facilities particularly for productive purposes. For those whose holdings are either too small or too scattered, there are only three possible solutions. Firstly, long period credit facilities may be provided for such of them as go in for consolidation of holdings and subsidiary industries, provided that the Agricultural Department can show by experiments on a commercial scale that if more money is sunk in capital improvements on such consolidated holdings it will be an economic proposition, taking into account the fact that repayment of the loan must be made within a reasonable period of say 20 to 30 years. The Committee has had no evidence from the officers in the Agricultural Department to show the extent to which such a solution would be feasible. Secondly, the small holder in Delhi and Ajmer-Merwara may be induced to sell his land and be given, under suitable safeguards, additional credit facilities for migrating to other provinces and buying land on newly opened canals in other provinces. This will require inter-provincial co-operation or the intervention of the Government of India. Thirdly, such agriculturists might be persuaded to leave the land which under the existing conditions is an uneconomic investment for them and to invest the proceeds in more paying investments. The intensive surveys clearly show that quite an appreciable number of indebted agriculturists would be gainers substantially if they adopted this course and became wage earners on even 5 annas a day, but it is very doubtful if this plan would be popular or even feasible on a large scale in actual practice. The Agricultural Officer, Peshawar, summed up his solution of the agricultural problem in the North-West Frontier Province as follows :—“ First of all take away those who are endeavouring to farm without capital. It would be better for them to work as labourers at 10 annas a day rather than farm

Remedies and recommendations.

without capital. Another solution so far as I can see is that those holding comparatively small areas, say 50 acres, should farm themselves and employ those who cannot make a living. A certain amount of farming should be done by those owning 50 or more than 50 acres.''

We feel that it is very necessary to realize these severe limitations on what credit or banking facilities can do to help the small peasant proprietor and cultivator in the Centrally Administered Areas. We, therefore, recommend that—

- (i) Intensive experiments be made by the Agricultural Department on a commercial basis on an average consolidated holding of different types of land in different parts of the province, with a view to guide the credit institutions in the matter of giving credit facilities for capital improvements on consolidated holdings and for starting subsidiary industries.
- (ii) The possibility of securing, for the agriculturist in Delhi and Ajmer-Merwara, economic holdings by migration to other provinces should be fully explored by the Government of India, and in case this is found feasible, necessary credit facilities for the purchase of land on newly opened canals in other provinces should be given partly by Government and partly by a land mortgage bank.
- (iii) In Ajmer-Merwara and Delhi, the discretion vested in the executive authority under the Land Alienation Act or Regulations to give permission to agriculturists to sell their land should be more freely exercised, subject to the right of pre-emption in favour of members of agricultural tribes who cultivate the land themselves, provided the applicant can get a price which is not less than 20 times the annual net return from the land and provided that after discharging his debt he agrees to invest, for at least ten years, the proceeds in investments approved by the Collector.

We are not in favour of extending the last recommendation to the North-West Frontier Province as we feel that in view of the peculiar conditions of the province no useful purpose will be served by it.

CHAPTER IX.

VILLAGE MONEY LENDERS.

82. In the preceding chapters we have already remarked that money-lending in the villages is not a special occupation of a few individuals or communities, that agriculturists as well as non-agriculturists indulge in it, that private creditors, agriculturists and non-agriculturists are the major source of borrowing in the rural areas, and that quite a considerable portion of the total amount lent in rural areas is due to agriculturist creditors in the North-West Frontier Province and Delhi. The intensive surveys in Delhi as well as in Ajmer-Merwara show that the *mahajans* or the *baniyas* form only 15·3 per cent. of the total money-lending families in rural Delhi and only 21·1 per cent. of the money-lenders in the villages of Ajmer-Merwara. The detailed distribution of the money-lending families in the selected villages is as follows:—

DELHI.

Number of families doing money-lending in the villages selected for intensive survey.

Serial No.	Village.	Mahajans.	Zamindars.	Others.	Total.
1.	Nangloi Sayad . .	1	...	...	1
2.	Shahpur Jat . .	5	13	2	20
3.	Deorala . .	...	1	...	1
4.	Nagli Sakravti . .	...	5	...	5
5.	Jonapur . .	...	...	...	...
6.	Hauz Rani . .	...	17	...	17
7.	Jhangola . .	...	...	...	...
8.	Mohammadpur Majri . .	...	10	...	10
9.	Dallupura . .	...	1	...	1
10.	Rajpur Khurd . .	...	3	...	3
11.	Masjid Moth . .	...	1	...	1
12.	Silampur . .	...	...	...	...
13.	Jafarpur Kalan . .	...	18	...	18
14.	Akbarpur Majra . .	7	1	...	8
	Total . .	13	70	2	85

AJMER-MERWARA.

Money-lending families in the villages selected for intensive survey.

Serial No.	Village.	Mahajans.*	Zamindars.	Others.	Total.
1	Rupnagar . . . . .	...	12	7	19
2	Lavera . . . . .	...	1	5	6
3	Balad . . . . .	...	2	..	2
4	Bar . . . . .	...	8	...	8
5	Rajawas	4	7	...	11
6	Chat . . . . .	...	3	...	3
7	Nayran . . . . .	...	...	...	...
8	Baghar	8	...	1	9
9	Sarana	5	10	...	15
10	Densarian	11	4	1	16
11	Mekrera	18	13	2	33
12	Baghana	5	5	1	11
13	Rawatmal	15	17	...	32
14	Jaswantpura . . . . .	...	14	...	14
15	Sanadh	8	19	2	29
16	Banjari	2	1	3	6
17	Bhagwanpura . . . . .	...	...	1	1
18	Galti . . . . .	...	3	4	7
19	Sarmalian . . . . .	...	3	...	3
20	Kekri	19	91	2	112
	Total	95	213	29	337

* Including mahajan owners of land, and tenants.

In the 16 villages selected for intensive survey in the North-West Frontier Province, 419 families out of a total of 10,482 have lent money; of these only 113 are Hindu shopkeepers and money-lenders. The detailed distribution of money-lending families in these villages is indicated below:—

NORTH-WEST FRONTIER PROVINCE

Families that have lent money in 16 selected villages.

Serial No.	Names of villages.	Total No. of families in the village.	Total No. of families that have lent money.	Mohammadans lending money.	Hindus lending money.	Zamindar owners of land lending money.	Cultivators lending money.	Hindu shopkeepers lending money.	Landless labourers lending money.
1	Chamkanl	858	18	16	2	16	2	..	..
2	Pabbi	706	10	4	6	7	3	..	..
3	Shahqadar	748	21	12	9	21	..	..	..
4	Mayar	699	9	5	4	9	..	..	..
5	Manki	1,425	..	..	..	..	..	..	..
6	Lachi Bala	585	13	6	7	8	..	5	..
7	Hangoo	772	22	4	18	8	2	12	..
8	Bilitang	447	37	31	6	37	..	..	..
9	Dham'taur	1,482	50	37	13	15	..	34	1
10	Kot Najibulla	539	60	57	23	60	..	..	..
11	Panodheri	223	4	4	..	4	..	..	..
12	Ghoriwala	859	32	..	32	16	..	16	..
13	Shahbazkhel	382	16	14	2	13	..	3	..
14	Potah	196	1	1	..	1	..	..	..
15	Maddi	312	20	1	19	20	..	..	..
16	Gul Imam	244	66	25	61	38	..	43	5
	TOTAL	10,482	419	217	202	293	7	113	6

Percentage of shopkeepers who do money-lending to the total money-lending families is 26.9.

Among the communities that are engaged in money-lending on a wide scale are *Banias* (*Agarwals, Vaishs and Jains*), *Khatriis, Jats, Gujars and Muslims in the Delhi Province; Mahajans, Rawats, Gujars, Rajputs, Jats, Regars, Cheetals, Desvalis, (Khanpura and Untra), and Pathan (Gugwana) in Ajmer-Merwara; Aroras and Khatriis* in the North-West Frontier Province. To these must be added the bigger agriculturist in the North-West Frontier Province, though in dealing with that province it should be borne in mind that the term money-lender is a term of reproach among the Muslims living in the rural areas and that lending on mortgages with possession is not considered to be money-lending at all according to the common notions prevailing there.

83. The term money-lender is, however, often applied in a restricted sense to only non-agriculturist money-lenders who have been lending money for several generations, particularly those who are known in the various provinces as *banias* or *mahajans*. At the census of 1921 the number of actual workers, who in respect of their principal occupation were classed as "Bank Managers, Money-lenders, Exchange Brokers, Insurance Agents, Money-changers", was 1,768 in the North-West Frontier Province, 1,305 in the Province of Delhi and 402 in the Province of Ajmer-Merwara. Of these 83 were partial agriculturists in the North-West Frontier Province, 40 in the Province of Delhi and 26 in Ajmer-Merwara. The census returns do not give separate figures for the rural and the urban areas of these provinces, but the income-tax figures show that very few of the money-lenders living in the rural areas pay income-tax. The number of rural assesseees in this class in the district of Peshawar was only 128 in 1926-27, 143 in 1927-28 and 118 in 1928-29 while the income-tax paid by this class was only Rs. 11,749 in 1926-27, Rs. 12,997 in 1927-28, and Rs. 15,911 in 1928-29. In Dera Ismail Khan and Bannu Districts, the rural assesseees in this class were only 117 in number in 1926-27, 159 in 1927-28, and 154 in 1928-29; while the total amount of income-tax paid by them was Rs. 12,469 in 1926-27, Rs. 13,563 in 1927-28 and Rs. 16,330 in 1928-29. We have no information as to the *number* of rural money-lenders assessed to income-tax in the districts of Hazara and Kohat, but the total amount of income-tax paid by

them in the Hazara district is shown as Rs. 17,471 in 1926-27, Rs. 17,131 in 1927-28, and Rs. 22,037 in 1928-29, while in Kohat, the corresponding figures are Rs. 1,408 in 1926-27, Rs. 1,281 in 1927-28, and Rs. 1,760 in 1928-29.

For the rural areas of Ajmer-Merwara and Delhi, the necessary information as regards the number of bankers and money-lenders, the estimated interest earned by them and the amount of income-tax paid by them is contained in the following statements supplied by the Income-Tax Department :—

Rural Areas—Delhi.

Year.	Number of Bankers and Money-lenders.	Capital.	Estimated interest.	Interest paid.	Other expenses.	Net income.	Income Tax.
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1926-27	66	18,09,840	1,62,990	2,000	5,379	1,85,617	3,650
1927-28	58	18,58,070	1,41,422	2,477	11,805	1,84,840	3,575
1928-29	59	18,55,870	1,66,480	2,200	9,046	1,55,284	4,209

Rural Areas—Ajmer-Merwara.

Name of district.	NO. OF BANKERS AND MONEY-LENDERS.				ESTIMATED INTEREST, ETC.				AMOUNT OF INCOME-TAX.			
	1921-22.	1926-27.	1927-28.	1928-29.	1921-22. Rs.	1926-27. Rs.	1927-28. Rs.	1928-29. Rs.	1921-22. Rs.	1926-27. Rs.	1927-28. Rs.	1928-29. Rs.
Ajmer-Merwara	7	41	42	41	21,821	1,08,007	1,09,745	1,10,575	568	2,842	2,884	2,902
Beawar	8	10	12	7	7,486	22,600	28,688	16,030	195	604	747	395
TOTAL	10	51	54	48	29,307	1,30,607	1,38,433	1,26,605	763	3,446	3,631	3,297

These figures show that the vast majority of these non-agriculturist money-lenders in the rural areas are small men earning less than the assessable income under the Income Tax Act.

84. In paragraph 25 of the chapter on rural indebtedness we have already brought out the fact that the most heavily indebted among the families of the rural areas are the indebted *mahajans*. The economic position of the individuals in this class is revealed more fully by the results of the intensive enquiries. In the 14 villages selected for intensive surveys in Delhi there are only 14 *mahajans*; and of these the income of four from money-lending, estimated even at *stipulated* rates of interest, is substantially less than their income from other sources; one family derives nearly as much income from other sources as from money-lending; three others earn from other sources 50 per cent. or more than 50 per cent. of their income from money-lending; and only two have money-lending as their only source of livelihood. During the year under investigation 5 of these 14 families had a deficit, *i.e.*, their net income was less than their domestic expenditure; 5 actually cultivated land; and six of them were indebted for varying amounts ranging between Rs. 100 to Rs. 2,000; one was indebted to the extent of 81 per cent. of his assets, two were indebted to the extent of more than 25 per cent. of their assets and three to the extent of less than 10 per cent. of their assets. Detail for each of these *mahajan* families are given below for convenience of reference:—

Economic position of the mahajans in the villages selected for intensive survey, Delhi Province.

The village.*	Income from sources other than money-lending.	Income from money-lending estimated at stipulated rates of interest.	Land revenue and rent.	Annual expenses on cultivation.	Net Income.	Ordinary domestic expenses.	Extraordinary domestic expenses.	Surplus or deficit.	Total assets.	Total debt.	Percentage of debt to assets.	Interest on debt.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Shahpur Jat—												
1 †	137	2,700	24	156	2,655	621	200	1,834	19,650	2,000	9	240
2	600	..	6	315	279	424	50	-195	1,740	600	34	108
3	520	120	..	53	667	434	60	93	3,665	..	..	..
4	5,000	9,000	8	..	13,907	925	200	12,872	80,250	..	..	..
5 . . . . .	..	900	90	158	652	1,088	125	-1,161	5,725	1,000	11	90
6	792	4,900	..	270	5,322	648	50	4,624	12,175	100	8	24
Naigol Sayad—												
7 . . . . .	..	980	..	..	980	350	180	450	3,960	..	..	..
Akbarpur Majra—												
8	300	1,000	..	..	1,300	1,600	23	-303	20,990	..	..	..
9	300	500	..	..	800	261	13	426	8,275	..	..	..
10	500	1,000	..	..	1,500	997	14	790	21,590	..	..	..
11	300	1,500	..	..	1,800	665	18	1,117	25,295	..	..	..
12	400	450	..	..	850	830	8	12	9,000	..	..	..
13	200	100	..	..	300	830	8	-533	1,900	500	26	88
14	300	100	..	..	400	640	13	-53	1,830	1,500	81	112
TOTAL	9,349	23,150	123	964	26,922	10,573	964	15,393	2,20,035	5,700	2.5	612

* There are no mahajans residing in 11 out of the 14 villages selected for intensive survey.
 † Names have been omitted.

Similar analysis of the *mahajans* in the villages selected for intensive survey for Ajmer-Merwara confirms the opinion expressed by the Extra Assistant Commissioner, Merwara, "that the money-lenders in the villages are not in a better position than their clients, that is the agriculturists", as the following figures will show:—

AJMER-MERWARA.

Abstract:—Economic position of the Mahajans in nine of the villages selected for intensive survey.

Name of Village.	Total No. of families.	No. of families whose income is below Rs. 500.	No. of families whose income is Rs. 500 to Rs. 1,000.	No. of families whose income is Rs. 1,000 to Rs. 2,000.	No. of families whose income is above Rs. 2,000.	No. of families whose annual surplus is below Rs. 500.		No. of families whose annual surplus is Rs. 500 to Rs. 1,000.		No. of families whose annual surplus is Rs. 1,000 to Rs. 2,000.		No. of families whose annual surplus is above Rs. 2,000.		No. of families whose annual deficit is below Rs. 500.		No. of families whose annual deficit is Rs. 500 to Rs. 1,000.		No. of families whose annual deficit is Rs. 1,000 to Rs. 2,000.	
						† Gross.	‡ Net.	Gross.	Net.	Gross.	Net.	Gross.	Net.	Gross.	Net.	Gross.	Net.	Gross.	Net.
Galti . .	1	1	..	..	..	1	1	..	..	..	..	..	..	..	..	..	..	..	..
Banjari .	8	..	..	8	..	..	..	..	1	1	..	2	2	..	..	..	..	..	..
Rajlawas	10	8	1	1	..	8	8	..	..	1	1	6	6	..	..	..	..	..	..
Bhagana .	9	5	2	..	2	1	1	..	..	..	..	2	2	6	6	..	..	..	..
Bawatmal .	18	8	4	4	2	6	6	4	4	1	1	..	..	5	5	..	..	2	2
Dansarlan .	12	9	2	1	..	5	5	2	2	..	..	..	..	5	5	..	..	..	..
Bagar .	17	9	8	..	..	7	7	1	1	..	..	..	..	9	9	..	..	..	..
Sanadh .	25	19	8	2	1	14	14	..	..	1	1	..	..	10	10	..	..	..	..
Makrera .	26	16	8	6	1	9	9	7	7	1	1	..	..	9	9	..	..	..	..
TOTAL .	121	75	28	17	6	46	46	14	15	5	4	10	10	44	44	..	..	2	2

* Income means gross income from all sources including money-lending at stipulated rates of interest minus land revenue and expenses of cultivation (but not interest on debt).

† Gross surplus or deficit means income minus domestic expenditure on all items including a fair annual provision for expenditure on ceremonies.

‡ Net surplus or net deficit means gross surplus or deficit minus interest on debt estimated at 12 per cent.

Economic position of mahajans in the selected villages of Ajmer-Merwara.

Serial Numbers according to Form A.	I. INCOME FROM ALL SOURCES.					II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.
	Income from Agriculture. Column 80. Form A.	Income from shops, etc. Column 88.	Income from other sources. Column 84.	Income from money-lending. Column 81.	Total income Columns 80 plus 84 plus 88 plus 81.	Land revenue and rent. Column 8.	Annual expenses of cultivation. Columns 20 + 21 + 22.	Net income (I) minus (II+III). (I+III).	Ordinary domestic expenses in a year. Columns 18 plus 19.	A fair provision for extra-ordinary expenses in a year. Column 24.	Surplus or deficit IV minus (V+VI) or (V+VI) minus IV.	Total debt from Form B.	Interest on total debt at 12 per cent.	Net surplus and deficit.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Galti—														
81 . . .	154	200	..	..	354	4	141	209	116	110	—17	..	..	16
Bajawas—														
68 . . .	..	..	28	..	28	7	..	21	62	15	—56	..	..	—56
64 . . .	166	..	..	..	166	7	40	119	152	80	—68	200	24	—87
65 . . .	..	100	96	260	456	7	..	449	165	15	269	..	..	269
66 . . .	..	200	1,060	760	2,020	7	..	2,018	155	85	1,828	1,500	180	1,648
67 . . .	..	..	44	800	844	6	..	888	152	25	161	..	..	161
68 . . .	82	..	..	..	82	5	25	52	161	25	—184	1,600	192	—326
224 . . .	..	100	..	200	300	15	..	285	400	65	—180	..	..	—180
225 . . .	..	..	..	..	..	20	60	—80	200	100	—880	100	12	—892
226 . . .	..	..	..	..	..	..	25	—25	70	50	—140	..	..	—140
227 . . .	..	150	..	..	150	1	25	124	90	40	—6	800	86	—42
TOTAL . . .	248	550	328	1,520	3,546	75	175	+3,401 —105	1,607	400	+2,258 —959	3,700	444	+2,078 —1,228

(Continued.)

Serial Number according to Form A.	I. INCOME FROM ALL SOURCES.					II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.
	Income from Agriculture. Column 80. Form A.	Income from shops, etc. Column 88.	Income from other sources. Column 84.	Income from money-lending. Column 81.	Total income. Columns 80 plus 84 plus 81.	Land revenue and rent paid. Column 8.	Annual expenses of cultivation. Columns 20 + 21 + 22.	Net income. (I) minus (II + III).	Ordinary domestic expenses in a year. Columns 18 plus 19.	A fair provision for extraordinary expenses in a year. Column 24.	Surplus or deficit IV minus (V + VI) or (V + VI) minus IV.	Total debt from Form B.	Interest on total debt at 12 per cent.	Net surplus and deficit.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Sanjari—														
13 . . .	844	150	58	3,000	3,547	10	58	3,484	143	100	3,241	3,000	360	2,881
14 . . .	1,020	300	300	9,000	10,620	4	78	10,538	148	200	10,195	2,000	240	9,955
26 . . .	74	100	40	1,200	1,414	74	88	1,302	46	100	1,156	3,000	360	796
TOTAL	1,438	550	398	13,200	15,581	88	169	15,324	332	400	14,592	8,000	960	13,632
Bhagana—														
54 . . .	1,209	..	..	2,000	3,209	23	32	3,154	975	70	2,109	..	..	2,109
99 . . .	378	..	..	..	378	15	10	353	275	185	—107	..	..	—107
100 . . .	133	200	..	..	333	10	10	313	500	260	—447	400	48	—495
109 . . .	425	..	..	3,000	3,425	..	..	3,425	390	350	2,685	..	..	2,685
130 . . .	168	500	..	..	668	..	..	668	240	215	208	3,000	360	—152
132 . . .	..	..	500	..	500	..	..	500	300	205	—5	3,000	360	—365
137 . . .	60	400	..	..	460	..	5	455	260	17	178	..	..	178
138 . . .	8	100	10	..	118	2	11	105	105	..	..	5,000	600	—600
139 . . .	..	..	51	..	51	..	..	51	55	20	—24	150	18	—42
TOTAL	2,376	1,200	561	5,000	9,137	50	68	9,019	3,100	1,322	+5,180 —583	11,550	1,386	+4,972 —1,761

Rawatmal—															
85	..	100	849	1,500	1,949	11	475	1,468	980	750	-217	..	..	-217
86	32	100	160	1,000	1,292	4	18	1,270	850	40	880	..	..	880
89	27	..	277	1,000	1,804	21	65	1,218	226	60	992	..	..	992
80	..	..	96	500	596	18	27	556	280	100	176	..	..	176
81	98	40	64	200	397	18	28	356	268	150	-57	..	..	-57
82	..	..	24	..	24	7	11	6	68	25	-87	..	..	-87
88	..	40	146	100	286	9	40	237	267	180	-180	1,500	180	-340	
84	..	..	249	800	1,049	17	110	922	278	115	529	..	..	529
85	7	..	288	2,000	2,295	49	64	2,182	665	219	1,298	..	..	1,298
86	88	..	201	1,000	1,289	16	129	1,144	278	760	108	..	..	108
87	80	..	268	500	848	8	51	784	1,880	172	-1,218	..	..	-1,218
87	..	100	250	800	650	..	..	650	114	25	511	..	..	511
92	22	..	200	2,000	2,222	1	16	2,205	112	25	2,068	..	..	2,068
98	..	..	..	..	..	..	..	..	58	10	-68	..	..	-68
94	..	..	60	25	85	..	..	85	228	10	-158	..	..	-158
101	98	100	25	100	288	6	4	258	64	40	149	..	..	149
102	..	25	80	..	105	..	10	95	66	27	2	..	..	2
108	..	..	290	25	315	..	..	315	58	60	197	500	60	187
TOTAL	887	505	3,022	1,150	14,964	175	1,048	18,741	6,135	2,718	+6,848 -1,960	2,000	240	+6,788 -2,140	

(Continued.)

Serial Numbers according to Form A.	I. INCOME FROM ALL SOURCES.					II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.
	Income from Agriculture. Column 80. Form A.	Income from shops, etc. Column 88.	Income from other sources. Column 84.	Income from money-lending. Column 81.	Total income. Columns 80 plus 84 plus 81.	Land revenue and rent. Column 8.	Annual expenses of cultivation. Columns 20+21+22.	Net income (I) minus (II+III). (II+III).	Ordinary domestic expenses in a year. Columns 18 plus 19.	A fair provision for extraordinary expenses in a year. Column 24.	Surplus or deficit. IV minus (V+VI) or (V+VI) minus IV.	Total debt from Form B.	Interest on total debt at 12 per cent.	Net surplus and deficit.
Dansarian—	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
81 . . .	88	300	142	300	825	4	15	806	105	200	501	..	..	501
82 . . .	81	..	8	60	149	2	62	85	120	25	-60	..	..	-60
83 . . .	85	..	38	60	188	8	16	164	41	15	108	..	..	108
84 . . .	..	400	150	900	1,450	1	36	1,418	480	800	689	..	..	689
85 . . .	49	..	38	24	111	8	10	98	60	15	28	..	..	28
86 . . .	90	25	..	24	139	0	16	117	70	15	88	..	..	88
87 . . .	37	50	38	75	200	3	9	189	140	25	28	800	86	-18
88 . . .	72	200	68	500	840	2	19	819	100	40	589	..	..	589
89 . . .	5	..	38	36	70	1	6	72	70	15	-18	..	..	-18
1 . . .	78	..	..	120	198	15	15	168	85	15	118	180	22	96
2 . . .	..	40	..	4	44	1	..	43	60	15	-32	..	..	-32
3 . . .	..	34	..	4	38	..	..	38	60	100	-122	20	2	-124
TOTAL .	580	1,049	520	2,107	4,256	41	204	4 011	1,381	780	+2,077 -227	500	60	+2,032 -242

8	238	200	50	100	588	..	..	588	85	100	808	2,000	240	168
11	212	200	100	100	612	2	52	668	155	150	253	1,500	180	78
71	406	120	50	150	786	88	81	972	52	800	820	100	12	808
97	811	200	50	60	621	18	80	628	801	200	22	800	00	-74
98	69	200	500	60	829	1	26	802	176	100	526	..	..	826
99	85	200	100	100	685	60	2	488	280	800	-97	1,000	120	-217
101	815	..	150	..	465	0	90	857	851	200	-104	..	..	-104
108	190	200	60	80	520	..	..	520	220	200	50	700	84	-84
124	104	60	50	180	454	2	2	448	222	200	21	..	..	21
127	48	180	70	60	808	15	4	229	222	100	-88	..	..	-88
128	224	200	100	100	624	2	7	616	259	150	206	..	..	206
129	68	180	50	60	818	1	4	802	117	100	91	..	..	91
140	56	100	50	60	266	1	4	261	200	150	-98	..	..	-98
141	51	200	60	120	481	2	1	428	222	140	-100	..	..	-100
142	82	..	60	40	182	1	6	184	48	40	40	1,200	144	-98
148	80	200	100	180	610	1	21	588	808	200	-117	800	00	-177
152	95	100	60	60	816	12	27	276	94	20	102	..	..	102
TOTAL	2,801	2,000	1,710	1,460	8,421	182	410	7,650	8,744	2,650	+2,005 -859	7,800	986	+1,646 -1,024

(Continued.)

Serial Numbers according to Form A.	I INCOME FROM ALL SOURCES.					II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.
	Income from Agriculture. Column 80. Form A.	Income from shops, etc. Column 83.	Income from other sources. Column 84.	Income from money-lending. Column 81.	Total income. Columns 80 plus 84 plus 81.	Land revenue and rent. Column 8.	Annual expenses of cultivation. Columns 20+21+22.	Net income. (I) minus (II+III). (II+III).	Ordinary domestic expenses in a year. Columns 18 plus 19.	A fair provision for extraordinary expenses in a year. Column 24.	Surplus or Deficit IV minus (V+VI) or (IV+VI) minus IV.	Total debt from Form B.	Interest on total debt at 12 per cent.	Net surplus and deficit.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Sanadh—														
36 . . .	1,576	..	..	1,200	2,776	87	80	2,609	550	255	1,804	5,000	600	1,204
37 . . .	45	..	200	..	245	4	25	216	75	110	81	500	60	-29
38 . . .	70	..	20	..	90	2	10	78	75	110	-107	..	..	-107
39 . . .	81	..	..	..	81	12	..	69	118	24	-73	..	..	-73
40 . . .	28	..	20	60	108	2	..	106	57	..	49	..	..	49
41 . . .	84	..	20	24	78	6	..	72	57	..	15	..	..	15
42 . . .	126	300	80	600	1,056	16	10	1,030	520	225	285	..	..	285
43 . . .	824	..	30	190	544	12	80	452	290	220	-58	1,300	156	-214
44 . . .	218	300	..	600	1,118	16	55	1,047	400	220	427	1,300	156	271
45 . . .	99	250	100	96	545	6	12	527	206	150	171	..	..	171
46 . . .	220	..	300	150	670	25	215	430	400	100	-70	..	..	-70

47 . .	200	..	200	150	650	10	100	540	250	100	100	..	..	190
48 . .	200	..	..	150	350	12	100	232	250	115	-133	..	..	-133
49 . .	18	100	..	18	184	2	..	132	115	..	17	..	..	17
50 . .	817	60	..	270	647	11	85	601	280	150	171	..	..	171
51 . .	88	..	..	..	88	2	..	86	57	180	-10	2,170	260	-861
52 . .	182	100	..	15	297	5	50	242	120	120	2	3,800	396	-394
53 . .	156	100	100	..	356	12	11	338	255	160	-72	2,100	252	-324
54 . .	100	..	180	24	304	6	18	280	190	62	28	300	36	-8
56 . .	80	..	..	..	80	2	..	78	..	..	78	..	..	78
57 . .	48	..	..	..	48	12	..	36	..	..	36	..	..	36
58 . .	72	..	..	..	72	7	..	65	..	..	65	..	..	65
59 . .	122	..	..	..	122	6	..	116	..	..	116	..	..	116
60 . .	82	..	..	..	82	12	..	20	..	..	20	..	..	20
TOTAL	4,434	1,210	1,300	3,547	10,491	293	301	9,397	4,265	2,241	+3,505 -614	15,970	1,916	+2,688 -1,713

(Concluded.)

Serial Numbers according to Form A.	I. INCOME FROM ALL SOURCES.					II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.
	Income from Agriculture. Column 80. Form A.	Income from shops, etc. Column 83.	Income from other sources. Column 84.	Income from money-lending Column 81.	Total income Columns 80 plus 83 plus 84 plus 81.	Land revenue and rent Column 8.	Annual expenses of cultivation. Columns 20+21+22.	Net income (I) minus (II+III). (II+III).	Ordinary domestic expenses in a year. Columns 18 plus 19.	A fair provision for extraordinary expenses in a year. Column 24.	Surplus or deficit IV minus (V+VI) or (V+VI) minus IV.	Total debt from Form B.	Interest on total debt at 12 per cent.	Net surplus and deficit.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Makrera—														
70 . . .	11	100	..	..	111	4	..	107	100	..	7	..	..	7
92 . . .	175	50	..	30	255	43	255	-43	250	50	-343	150	18	-361
93 . . .	651	100	360	..	1,111	4	..	1,107	350	..	757	..	..	757
95 . . .	219	..	..	100	319	118	510	-309	260	100	-669	..	..	-669
96 . . .	18	300	..	720	1,038	6	200	832	130	100	602	..	..	602
97 . . .	8	..	..	1,500	1,508	16	110	1,382	850	40	492	..	..	492
98 . . .	14	..	..	60	74	7	..	67	260	..	-198	..	..	-193
99 . . .	14	50	..	300	364	4	..	360	60	150	150	..	..	150
100 . . .	167	..	..	100	267	20	..	247	120	..	127	..	..	127
101 . . .	47	150	..	240	437	15	60	362	250	100	12	..	..	12
102 . . .	850	..	..	960	1,810	30	..	1,280	08	100	872	..	..	872

103	260	40	100	600	1,000	9	370	621	400	200	21	..	..	21
104	92	240	..	900	1,292	4	60	1,228	275	200	753	..	..	753
105	..	200	..	72	272	8	..	264	270	50	-56	..	..	-50
106	92	200	..	900	1,252	14	179	1,059	275	80	754	..	..	754
107	329	..	..	2,000	2,329	36	320	1,973	475	100	1,898	..	..	1,898
108	808	..	800	..	1,103	32	315	756	300	..	456	..	..	456
109	111	..	..	..	111	36	115	-40	425	15	-480	..	..	-480
110	455	..	..	..	455	140	320	-5	400	50	-455	4,000	480	-955
111	10	..	100	..	110	36	..	74	75	10	-11	..	..	-11
112	455	..	..	..	455	7	310	188	320	50	-232	1,200	144	-376
113	10	..	100	..	110	3	..	107	135	10	-38	1,000	120	-158
123	43	100	..	380	503	7	..	496	101	..	395	..	..	395
146	5	..	150	900	1,115	2	..	1,113	410	50	653	..	..	653
25	..	180	..	240	400	..	..	400	40	50	310	..	..	310
26	..	125	..	6	131	..	..	131	20	..	111	190	23	88
TOTAL	4,339	1,815	1,110	10,168	17,432	601	3,124	13,707	6,859	1,455	+7,370 -2,477	6,540	785	+7,847 -3,239

85. In all the three Provinces, the non-agricultural village money-lender big or small, ordinarily combines several functions. He lends money, sells the daily necessary supplies such as cloth, grocery, etc., buys the village produce for sale outside, and sometimes acts as a commission agent for marketing his client's produce. He is sometimes a land-owner by purchase, and not unoften is actually a farming proprietor or a cultivator.

The working capital of his business is partly his own and partly borrowed. He does not obtain any appreciable funds by means of deposits; but he does borrow from city money-lenders, though his credit in the city has ceased to exist so far as the indigenous banker in Ajmer-Merwara is concerned, and is said to be steadily declining elsewhere. He is obliged at times to refuse accommodation to the agriculturists partly because of the insufficiency of his capital and partly because he considers the security offered by them as unacceptable. None-the-less, he occupies among the rural creditors the first place in Ajmer-Merwara, and the second place in Delhi and North-West Frontier Province. Almost everywhere, the agriculturist prefers the *bania* to Government, and in some cases even to the co-operative credit societies, in spite of the fact that his stipulated rates of interest are higher. He lends on all sorts of securities, on mortgage of property, on the security of cattle or standing crops, on personal surety of a neighbour, or on the personal credit of a borrower. He finances his customer in all his undertakings, and lends money for every affair in life, for birth, death, or marriage in the family. Apart from mortgage deeds, he relies for proof of his dues on bonds or accounts in his *bahis*. The bonds contain particulars of the amount, the purpose, the period, the rate of interest, and names of sureties and witnesses. The *bahis* show the details of the amount lent, the rate at which interest is calculated, and debits and credits on different dates. Smaller money-lenders have nothing more than a scrap note-book in which they jot down a few details or a loose bundle of bonds and decrees, on the back of which entries are made of the amounts paid by the borrowers. But the more substantial among them maintain both a *roznamcha* (the daily account book) and a ledger (*khata*).

86. We were told in Ajmer-Merwara by the Registrar of Co-operative Societies that the business of the *mahajans* ^{Present condition of} was gradually declining because of ^{*mahajan's* business.} the competition of the co-operative societies, but the results of our intensive and extensive surveys which we have discussed elsewhere clearly show that he is still the principal source of borrowing in the rural areas of Ajmer-Merwara. But the list of bankers and money-lenders who have been declared insolvent since 1920, for which we are indebted to the District Judge in Ajmer-Merwara makes rather ominous reading, for as many as 40 out of 65 bankers and money-lenders, who have been declared insolvent, are *mahajans*. Obviously this class in Ajmer-Merwara is getting involved in financial embarrassment.

The situation in Delhi appears to be distinctly worse. The officials of the Income-Tax Department, Delhi, report that there is a marked tendency among the village money-lenders to withdraw their money from the villages and re-invest it in the city, and the Inspector of Co-operative Credit Societies who was asked to undertake a special enquiry on this point has supplied us with statistics showing that 51 village non-agriculturist money-lenders have stopped their dealings with borrowers since 1920, the total existing number in the rural areas of the province being only 170.

In the North-West Frontier Province there is no distinct class corresponding to *mahajans*, but all Hindus who do any money-lending are indiscriminately considered to be belonging to the class of professional money-lenders. It is difficult to say whether the existing depression in the position of this class is due to the unprofitableness of their money-lending business or to the general depression in trade. But the list of insolvents since 1920 from various districts shows that this class, which is identified with professional money-lenders, has been in serious difficulties since 1920. Eight firms have been declared insolvent in the Bannu district, 13 in the Hazara district and 22 in the Peshawar district and as many as 70 in the district of Dera Ismail Khan.

87. As to the methods of business of this class we have had rather conflicting evidence. On the one hand, some

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of the officials of the Co-operative Department and some witnesses from the urban areas said ^{Mahajan's methods of business.} some very harsh things about the village *bania* : that his transactions on the whole were unconscionable, that he charged exorbitant rates of interest, that he manipulated accounts to his own advantage and that he encouraged improvidence by lending for unproductive and wasteful purposes. On the other hand our interviews with the villagers showed that the relations between the debtors and the borrowers were on the whole cordial and that the money-lenders' clients did not doubt the correctness of their accounts. Even in the North-West Frontier Province where the urban witnesses complained most against the non-agriculturist Hindu money-lenders in the villages, the evidence of witnesses like Nawab Sir Dost Mohammad showed that the complaints against the big money-lenders had no foundation in fact, that relations between even the *village bania* and his clients were on the whole harmonious, and that the Hindu money-lenders and shop-keepers inspired sufficient confidence to be trusted with the keeping of even the private accounts of big *zamindars*. And Mr. Brown, the Agricultural Officer, speaking from his 19 years' intimate knowledge of village life, maintained that the money-lender was a veritable cog in the wheel of life in the village, that without his aid agricultural operations would almost cease, that he granted loans on terms that no banks would consider; that he was truly a friend in need in the village life as it now existed in the community where business was carried on by barter rather than by circulation of money; that there was no prejudice against him beyond that which every borrower everywhere felt towards his creditor; and that he did make distinction in the rate of interest between loans for productive and unproductive purposes. Even those who complained against him most acknowledged that he knew his clients intimately, that he asked no inconvenient questions, had no fixed business hours, did not insist on rigid recovery so long as he felt his money to be safe, and was prepared to accommodate his clients to the best of his ability. The general impression left on our mind is that he is regarded as an indispensable factor in the rural economy, that barring a few black-sheep among them he is generally trusted by the community whom he serves, and that he will do well to

remove the suspicion that exists against his accounts in some quarters by having his accounts properly audited, whenever the state of his business justifies it.

On the other hand spokesmen and friends of money-lenders complained that he had been deprived by the Land Alienation Act of his ultimate security for realising his debts, that the cost of litigation wiped off his profits, that the amount actually realised by way of interest was much below the stipulated rate of interest, that execution proceedings were dilatory and that he encountered innumerable difficulties in realising his dues. They maintained that if the honest creditor was protected by law as much as the honest debtor, the stipulated rates of interest would come down in no time. We have already said enough in the chapter on the rates of interest to indicate how far the complaints against the existing system, which permits wide differences between the stipulated rates of interest and the rates actually realised, are justified.

88. It is necessary at this stage to recall to mind the main deficiencies in the existing system of agricultural credit with a view to appreciate the reasons for the proposals which we have outlined below.

Credit for agricultural industry.

Firstly, the agricultural industry needs for cultivation purposes essentially short period loans at a time of the year when there is generally slackness in trade and industry, when the big shroffs are anxious to find suitable investments for their funds even at 5 per cent. and when even the Imperial Bank of India can afford to lend freely at very cheap rates of interest.

Secondly, the honest village money-lender, who is one of the principal sources of supply of funds to the agricultural industry, is suffering at present from insufficiency of capital and financial embarrassment due to difficulties of recovery. He has at present absolutely no point of contact with joint stock banks of the country and is not looked upon as a very desirable client even by the indigenous shroff owing to the risks involved in lending money to the agriculturist.

Thirdly, the existing wide differences between stipulated rates of interest and actually realised rates of interest are fair neither to the honest creditor nor to the honest borrower, inasmuch as the honest borrower is compelled to

pay a much higher rate of interest than he should and the honest creditor finds himself cheated even of the capital invested by him.

Fourthly, there exists in some quarters a suspicion against the system of account keeping of the *whole* class of the village money-lenders on account of the questionable methods adopted by *some* of the unscrupulous men among this class.

89. In order to remove these defects some system of regulation is urgently necessary; but we do not consider it practicable or even desirable to attempt to regulate the business of *every* person who does *any* money-lending, as this will create not only serious administrative difficulties in the enforcement of legislation but will also squeeze out the small money-lender and so remove the healthy influence of competition in this business. It will, moreover, create a wide-spread suspicion among the very people whose fullest co-operation we consider essential for the success of any measure of reform.

In our opinion, the best way to meet these difficulties is to increase the competition of honest creditors by conferring upon them a privileged position in the matter of recovery as a compensation for certain definite obligations imposed upon them, and to facilitate the creation of short period agricultural paper to be discounted by bankers and banks and rediscounted by the Imperial Bank of India, or by the Reserve Bank when it is established. We, therefore, recommend that an attempt should be made to create a class of licensed money-lenders on some such conditions as the following:—

- (i) Every *licensed* money-lender shall *either* keep accounts in the form prescribed by the licensing authority and have them audited at intervals of not more than two years by a qualified auditor, or a person on the approved list sanctioned by the licensing authority, and shall, on demand by the borrower, furnish him with a statement of accounts from the date of the last statement, not oftener than once in six months

Or

agree to make payments to all his debtors through the post office, or a joint stock bank.

or a co-operative central bank, or a licensed indigenous shroff notified by the licensing-board, and receive all payments from his debtors through the same agency.

(ii) All crop loans granted by a licensed money-lender to persons other than members of co-operative societies within the limit notified in each case by the Department of Agriculture from time to time, shall be recoverable as a charge upon the crop at the next harvest, or in case of remission or suspension of land revenue by Government, at the harvest next after that, provided that he charges interest at a rate less than the lending rate of the nearest co-operative society; and shall be subject to protection similar to that afforded in Section 11 of the English Agriculturists' Credit Act 1928 to a charge in favour of an approved bank, so that if, *with intent to defraud*, any farmer who has taken a crop loan and fails to comply with the obligations imposed or removes or suffers to be removed from his holding the property subject to the charge, he shall be liable to suitable penal action somewhat on the lines of the English Agriculturists' Credit Act, 1928.

(iii) In transactions other than crop loans, the licensed money-lender will be entitled to be awarded by law courts, the stipulated rate of interest from the date of the transaction to the date of the actual realisation of his dues subject to the following conditions:—

(a) that the court shall declare the decree as satisfied in full when the licensed money-lender has actually realised his principal and interest at 12 per cent. per annum on mortgage debt and 18 per cent. per annum on unsecured debt from the date of the transaction, provided the stipulated rate of interest exceeds the above-mentioned rates, otherwise the stipulated rate of interest only will be payable;

(b) that no evidence of payment by the judgment debtor *after* the decree shall be admissible

in execution proceeding against the licensed money-lender except when payment is made through the court or on a receipt signed by the creditor and filed in the court within the period of limitation, or through the post office on a special form for payment of decretal amount drawn up so as to show the minimum necessary particulars, or by cheque on a registered bank, or through the vakil of the party to whom payment is made.

- (iv) All debts of the licensed money-lender shall have priority in the matter of repayment to any subsequent loans from other creditors whether on mortgage security or otherwise.
- (v) The licensed money-lender shall have the right to object to an award by a Registrar of Co-operative Societies on the ground that he had given notice to the co-operative credit society of the amount owed by the borrower to him, and on such an allegation being proved, the court shall not give any priority in the matter of execution to the award of the Registrar over the *previous* debts of the licensed *mahajan*.
- (vi) No co-operative credit society shall admit a debtor of a licensed *mahajan* to its membership, except on probation, and shall not advance him any sum of money as a loan except after arranging for the repayment of the licensed *mahajan's* dues in instalments within the period of probation, and shall expel him from the society in case he makes any default in payment of the instalments fixed.

Our colleague, Lala Bal Kishen, objects to giving the licensed money-lender priority for all his debts, even over the subsequent secured debts of other creditors, or any power to object to the award of the Registrar of Co-operative Societies.

90. The licensing authority shall be constituted as follows :—

- (a) A Revenue Officer not below the rank of a Tehsildar, nominated by the Local Government for each Tehsil—Chairman.

- (b) The Khan of the village in the North-West Frontier Province, or a *lambardar* of the village who is not indebted to the licensed *mahajan*, to be nominated by the Local Government.
- (c) A *zamindar*, not being a member of the co-operative credit society, elected by the *zamindars* of the village from among persons who are not indebted to the licensed money-lender.
- (d) An elected representative of the licensed money-lenders of the Province.
- (e) An indigenous shroff elected by the association of indigenous shroffs if any, or in the absence of any such association, nominated by the Local Government.
- (f) A representative of co-operative societies to be elected or nominated by the Co-operative Department.

(2) The licensing authority shall grant a license to every money-lender who agrees to abide by these conditions and should have no discretion to refuse it.

(3) The licensing authority shall have no authority to cancel a license so long as he complies with the conditions laid down above.

(4) In the event of his violating any of these conditions, his license shall be cancelled after a warning in the first instance.

91. In our review of the various aspects of agricultural credit we have already described the part which the agriculturist creditor is playing in rural finance, the difficulties created by his appearance in protecting the peasant proprietor, for whose benefit largely the Land Alienation Act was passed, the rates of interest charged by him, and the shortage of banking funds created by the inveterate habit of the agriculturist to invest his savings in land even when it is not an economic investment at all. The situation calls for an early remedy particularly in Delhi and the North-West Frontier Province where the agriculturist has become the principal source of borrowing. But as this question has an important bearing upon the existing legislation, our proposals in this behalf will be more conveniently outlined

in the chapter on existing legislation and legal procedure in their bearing on credit.

92. Two classes of itinerant money-lenders have made their appearance in recent years both in Delhi and Ajmer-Merwara. The first group lends ^{(itinerant money-lenders.} money on what is known as the system of *rakti* loans. These lenders advance in sums of Rs. 10 or its multiples which are repayable in 12 monthly equal instalments, the first instalment being in some cases deducted at the time of advancing the loans. A charge of annas five is sometimes made as a *multana* on each loan of Rs. 10. In case of default one anna per rupee per month is charged as penalty. The system is said to be popular with those members of the poorer classes in the rural and the urban areas who require loans in small amounts and who have a fixed daily or monthly income. In spite of the high rates of interest, defaults are said to be rare owing to the effective methods of recovery adopted by the creditors. Our information on the subject is however very meagre, and in the absence of fuller information we have abstained from making any proposals on the subject. We trust that the Co-operative Department and the Board of Economic Enquiry, which we have suggested elsewhere will take up further investigation of the subject at an early date.

Another class of itinerant money-lenders consists of the transborder or Kabuli money-lender. The activity of this class was at first confined to the cities but it has now spread to the villages both in Delhi and Ajmer-Merwara. In Delhi, their clients are generally the village Kamins and those agriculturists who have no credit left either with the co-operative credit societies or with the village money-lender. In Ajmer-Merwara their activities embrace the mill-hands in Beawar. The rates of interest are very high, ranging from one anna to three annas per rupee per month. Their methods of recovery are more or less high-handed and they seldom resort to law courts to realise their dues. Their usual plan of action is to sit *dharna* outside the debtor's abode and to coerce him into compliance by drastic methods. The evidence which we received, particularly at Beawar, suggests that the evil has assumed proportions, which call for energetic action. We realize, however, the necessity of not offending the susceptibilities of the neigh-

bouring states and suggest, therefore, a very mild remedy, of insisting on a license being taken by all foreign money-lenders. We recommend, therefore, that

No foreigner, whether domiciled or otherwise, should be allowed to do any money-lending directly or indirectly, without taking a license from an authority named by the Local Government on the following conditions :—

- (a) He shall keep a certain amount, fixed by the licensing authority, as a deposit in an approved institution.
- (b) He shall sign an agreement that he will conduct his business in accordance with the rules laid down by the licensing authority and will not charge directly or indirectly rates of interest higher than those sanctioned by the licensing authority in this behalf.
- (c) If the licensing authority receives any report that the licensee has been acting contrary to the regulations laid down in this behalf, or been recovering his money in a high-handed fashion, it should have all the powers of a law court to investigate the charges, to cancel the license and to punish the licensee up to 3 months' imprisonment in the first instance and six months in the next.

The above suggestions do not, of course, apply to recognized foreign joint stock or other banking institutions.

93. A certain amount of money-lending at high rates of interest is done on a small scale in the villages by a number of other individuals, *e.g.*,
 Money-lending by widows. We believe that under competitive influences which will be strengthened by the institution of licensed money-lenders, with the spread of the co-operative movement, and with the growth of investment habit in rural areas, for which we have made our proposals elsewhere, the money now invested at more or less usurious rates of interest will find its way to more fruitful channels.

CHAPTER X.

PROGRESS OF THE CO-OPERATIVE CREDIT MOVEMENT IN THE CENTRALLY ADMINISTERED AREAS.

94. Next in magnitude, though not in importance from the banking point of view, to the indigenous private money-lenders are the co-operative credit societies started in recent years in the Centrally Administered Areas. The general system of the co-operative movement in these provinces is based almost wholly on the Punjab model, except that there is neither a provincial bank nor a co-operative federation in any of these Areas.

Brief description of the Co-operative Movement.

Co-operative societies were first introduced in Ajmer in 1904-05, but owing to a variety of reasons, the movement made no real progress up to the end of the year 1909. In February 1910, a Central Bank was formed at Ajmer which increased its operations rapidly in the next two years with the result that in the year 1912-13, it financed 6,229 members in 191 villages. In Delhi, the movement began in 1919-20, but the real progress of the movement may well be said to have begun only in the year 1921 when the Delhi Province Central Co-operative Bank was established. In the North-West Frontier Province, it commenced much later, there being only one co-operative society in April 1925, that of a cavalry regiment in Risalpur, which was subsequently transferred to Baluchistan.

95. The salient features of the subsequent progress of the co-operative movement in these Areas are brought out clearly by the figures in the following tables:—

Salient features of the progress of the co-operative movement.

Ajmer-Merwara.

Year.	Central Banks and Unions.		Agricultural Credit Societies.		Non-Agricultural Credit Societies.		Thrift and Saving Societies.		WORKING CAPITAL.			
	Number.	Members.	Number.	Members.	Number.	Members.	Number.	Members.	Central Banks and Unions.	Agricultural Credit Societies.	Non-agricultural Credit Societies.	Thrift and Saving Societies.
									Rs.	Rs.	Rs.	Rs.
1912-13	3	496	279	8,115	..	..	..	..	4,92,244	5,03,204	..	..
1913-14	5	775	352	10,387	..	..	..	..	7,50,322	7,35,509	..	..
1914-15	5	841	365	10,387	..	..	..	..	8,15,242	7,03,017	..	..
1915-16	5	928	349	11,684	..	..	..	..	9,27,279	9,15,600	..	..
1916-17	5	1,072	372	12,848	..	..	..	..	10,40,276	11,65,181	..	..
1917-18	4	1,065	362	12,595	..	..	..	..	12,57,908	14,36,424	..	..
1918-19	5	1,120	371	10,779	1	14	..	..	14,95,806	17,13,995	353	..
1919-20	6	1,244	412	10,546	4	210	..	..	16,95,784	18,95,788	62,860	..
1920-21	6	1,442	480	10,455	20	482	..	..	19,36,732	20,49,103	85,707	..
1921-22	7	1,518	450	9,984	27	716	..	..	20,23,605	20,18,372	1,67,131	..
1922-23	7	1,530	441	9,937	27	771	..	..	20,82,158	18,62,170	90,390	..
1923-24	6	1,456	433	9,199	31	925	..	..	19,26,512	17,21,750	1,23,226	..
1924-25	7	1,578	437	9,259	47	1,307	5	132	18,36,826	16,19,656	1,59,693	1,398
1925-26	7	1,659	458	9,559	66	1,757	12	360	21,11,700	17,12,207	2,14,189	9,747
1926-27	6	1,520	456	9,589	66	1,909	11	318	22,17,719	16,84,196	2,54,473	19,415
1927-28	7	1,548	448	9,281	66	2,074	12	300	21,56,711	15,50,512	3,13,023	35,854
1928-29	6	1,555	468	9,768	66	2,133	14	359	21,76,078	15,85,051	3,90,328	50,259

North-West Frontier Province.

Year.	Central Banks.		Agricultural Credit Societies.		Non-Agricultural Credit Societies.		Thrift Societies.		WORKING CAPITAL.			
	Number.	Members.	Number.	Members.	Number.	Members.	Number.	Members.	Central.	Agricultural Credit Societies.	Non-agricultural Credit Societies.	Thrift and Saving Societies.
									Rs.	Rs.	Rs.	Rs.
1925-26	1	27	9	212	1	46	4	68	26,150	9,278	2,662	1,227
1926-27	1	46	27	681	..	..	4	77	66,600	60,099	18,564	2,519
1927-28	1	68	50	1,400	8	648	5	125	1,24,758	1,10,071	1,18,222	8,990
1928-29	1	128	89	2,500	8	677	7	625	2,86,124	2,12,670	1,29,425	89,704

Delhi.

Year.	Central Banks.		Agricultural Credit Societies.		Non-Agricultural Credit Societies.		Thrift Societies.		WORKING CAPITAL.			
	Number.	Members.	Number.	Members.	Number.	Members.	Number.	Members.	Central.	Agricultural Credit Societies.	Non-agricultural Credit Societies.	Thrift and Saving Societies.
									Rs.	Rs.	Rs.	Rs.
1920-21	1	54	61	1,019	37	582	..	..	29,855	48,925	15,971	..
1921-22	1	156	100	1,628	38	477	..	..	8,85,808	1,44,040	28,541	..
1922-23	1	229	111	1,848	37	485	..	..	4,84,894	1,78,285	22,284	..
1923-24	1	308	155	2,797	36	404	1	20	5,50,469	2,79,695	20,409	897
1924-25	1	347	169	3,808	36	458	1	35	6,91,889	3,67,498	20,480	1,370
1925-26	1	368	199	3,818	18	201	2	58	8,54,180	4,88,508	12,278	2,294
1926-27	1	448	204	4,250	7	108	4	71	11,81,229	5,82,764	9,685	4,029
1927-28	1	452	238	4,672	25	472	5	150	12,93,584	6,22,272	49,542	12,815
1928-29	1	487	236	5,011	35	1,142	6	175	18,68,444	7,47,670	1,19,919	28,028

Both in Ajmer-Merwara and Delhi, the movement is now pretty widespread. Out of 746 villages in Ajmer-Merwara, it has touched 386 villages and benefits nearly $\frac{4}{5}$ th of the rural population of the Province. In Delhi, it has reached $\frac{2}{3}$ rds of the rural area of the Province. A comparison with the progress of the movement in other Provinces shows that both Ajmer-Merwara and Delhi are in many respects well ahead of the other Provinces of British India. The following figures tell their own tale :—

Progress as compared to other Provinces.

Province.	Population (millions).	Number of societies per 100,000 inhabitants in 1927.	Number of members of primary societies per 1,000 inhabitants in 1927.	Working capital.	MOST USUAL RATE OF INTEREST OF THE CENTRAL BANK.		MOST USUAL RATE OF INTEREST OF AGRICULTURAL PRIMARY SOCIETIES.	
				No. of annas per head of population in 1927.	On Borrowings in 1927.	On Lendings in 1927.	On Borrowings in 1927.	On Lendings in 1927.
North-West Frontier Province	2.3	2.6	.9	2	5½ to 7	8	8	12½
Delhi	0.5	52.8	10.6	63	4 to 6	7 to 9	6 to 9	12½
Ajmer-Merwara	0.5	116.2	33.4	141	6 to 7	9	6 to 9	6½ to 12½
Madras	42.3	34.3	21.2	58	2 to 7½	7 to 8½	7½ to 8½	9½ to 10
Bombay	19.3	27.6	27.3	93	2 to 7½	8	6½	9½ to 10½
Bengal	46.7	38.7	12.9	38	7½ to 8	9½ & 10½	9½ & 10½	12½ & 15½
Bihar and Orissa	34.0	25.3	7.2	24	4½ to 8 & 8½	12½	12½	15½
United Provinces	45.4	13.4	3.5	7	7	12	12	15
Punjab	20.7	87.1	26.2	114	7	9	9	12½
Burma	11.7	44.8	10.7	68	9	10	10	15
Central Provinces and Berar	13.9	29.1	5.4	55	4 to 7	10 & 10 to 12	10	9 to 12 & 12
Assam	7.6	15.7	7.8	11	6½	10½	7½	15½
Coorg	0.2	116.5	60.0	62	5 to 4½	8½	6½ & 8½	12½
Hyderabad Administered Areas	0.1	12.0	20.5	62	..	..	..	..
TOTAL (BRITISH INDIA)	245.2	33.5	13.3	46	..	..	..	..

96. No difficulties of any sort seem to have been experienced in financing the movement in the Centrally Administered Areas. In Ajmer, the Imperial

Overdrafts.

Bank of India allows overdrafts at the bank rate to the Ajmer Central Co-operative Bank to the extent of 95 per cent. of the value of the Government securities pledged with it. An indigenous banker who is the Treasurer of the Ajmer Central Co-operative Bank also allows it a cash credit of Rs. 50,000, on which he charges interest at 6 per cent. The Central Co-operative Bank, Delhi, has an overdraft account both with the Imperial Bank of India and the Mercantile Bank of India in Delhi against Government securities lodged with them. It can easily obtain further loans at $6\frac{1}{2}$ per cent. also from the Punjab Provincial Co-operative Bank, but so far it has had no occasion to avail itself of this source of help. The Central Bank of Abbottabad has an overdraft account with the Imperial Bank of India, up to a limit of Rs. 15,724, against Government securities of the face value of Rs. 26,300.

97. The detailed composition of the working capital of these Co-operative Central Banks and the growth in recent years of the various items composing it are indicated in the tables given below:—

Working capital of Co-operative Central Banks.

AJMER-MERWARA.

Central Banks.

Head.	1924-25.		1925-26.		1926-27.		1927-28.		1928-29.	
	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.
	Rs.		Rs.		Rs.		Rs.		Rs.	
Share Capital paid up . .	2,26,875	12.7	2,26,875	11.8	2,26,800	10.4	2,26,800	10.8	2,26,800	10.8
Reserve and other Funds . .	2,08,807	11.1	2,26,801	10.9	2,26,142	10.8	2,47,008	11.8	2,50,914	12.4
Deposits from individuals . .	14,16,806	75.6	15,21,108	79.2	16,16,179	74	14,60,558	69.4	14,81,144	70.9
Loans from Government . .	..	..	44,168	2.1	44,820	2	..	..	..	..
Deposits from Central Banks and Societies.	10,870	.6	48,285	2.3	81,205	3.8	1,67,848	7.9	1,10,548	5.7
TOTAL WORKING CAPITAL .	18,79,048	100	20,70,410	100	21,88,746	100	21,02,701	100	20,86,001	100

DELHI.

The Delhi Province Central Co-operative Bank, Ltd., Delhi.

	1924-25.		1925-26.		1926-27. 1		1927-28.		1928-29.	
	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.
	Rs.		Rs.		Rs.		Rs.		Rs.	
Share Capital	25,200	3.71	26,150	3.49	37,200	3.41	68,750	5.48	82,550	6.66
Reserve and other funds	5,046	.74	9,536	1.28	16,419	1.51	22,886	1.97	34,580	2.79
<i>Deposits from individuals.</i>										
(a) Members . . . . .	..	..	..	..	36,138	3.32	44,600	3.84	57,935	4.59
(b) Non-members	6,48,506	95.55	6,69,535	89.61	9,97,146	91.76	10,31,615	88.71	10,63,517	85.96
Loans from Government . . . . .	..	..	..	..	..	..	..	..	..	..
<i>Loans from—</i>										
(a) Central Bank . . . . .	..	..	42,000	5.62	..	..	..	..	..	..
(b) Societies . . . . .	..	..	..	..	..	..	..	..	..	..
TOTAL WORKING CAPITAL*	7,09,552	..	8,75,108	..	12,02,304	..	13,20,608	..	14,01,525	..

* Figures supplied by the Secretary, Central Co-operative Bank, Delhi.

NORTH-WEST FRONTIER PROVINCE.

Hazara Central Co-operative Bank, Ltd., Abbottabad.

	1925-26.		1926-27.		1927-28.		1928-29.	
	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.
	Rs.		Rs.		Rs.		Rs.	
Share Capital	5,250	20.07	6,200	9.3	7,800	6.26	10,700	4.5
Reserve and other Funds . . . . .	..	..	..	..	104	.08	804	.3
Deposits from Individuals	100	.38	58,800	88.2	1,14,000	91.14	1,62,545	68.8
Loans from Government	20,000	76.44	..	..	..	..	..	..
Deposits from Central Banks and Societies	800	3.05	1,800	2.4	2,150	1.72	62,115	25.3
TOTAL .	26,150	100	66,800	100	1,24,753	100	2,36,164	100

It appears that the working capital of the central banks both in Delhi and Ajmer-Merwara is appreciably *more* than the funds needed to finance the co-operative societies of these provinces. In fact, in 1923, the Central Co-operative Bank, Delhi, asked for and obtained, special permission of the Registrar of Co-operative Societies to lend to societies outside the province, and accordingly it actually lent to the societies in Balabgarh and Palwal Tehsils of Gurgaon District as much as Rs. 1,07,323, out of its total loans amounting to Rs. 4,13,346. During the years 1924 to 1927, the Delhi Central Bank went on increasing its investments in Government securities, and in societies outside the province, till in 1927 only Rs. 8,02,381, out of the total assets amounting to over 12 lakhs, were actually invested in loans to the Delhi co-operative societies; in other words more than $\frac{1}{3}$ rd of the investment of the bank was in forms other than loans to the Delhi co-operative societies. In 1928, these other investments amounted to Rs. 4,98,470 as against Rs. 7,89,825 invested in financing its affiliated societies in Delhi, which means that as much as 39·5 per cent. of its total investments was invested outside the Delhi co-operative movement. In 1929, the percentage of these extra-territorial investments of the Delhi Central Bank declined a little, but even then its loans to its affiliated societies amounted to only Rs. 9,76,009 as against Rs. 3,88,439 of its other investments. Much the same thing has happened in the case of the Ajmer Co-operative Central Bank. Against a working capital of about 14 lakhs and outside liabilities on account of loans and deposits extending to only 11 lakhs in 1928-29, the bank invested in Government securities as much as 6 lakhs. In 1927-28, the market value of its investments in Government securities amounted to Rs. 4,24,249, and it not only cleared off the balance of the Government loan of Rs. 44,830 borrowed during the previous year but actually sent as much as Rs. 60,000 for investment to Bombay and Rs. 40,000 for investment to the Punjab. Even then there was surplus money in the bank. Far from feeling the necessity to attract more deposits by offering an attractive rate of interest, both these banks have been in recent years making an attempt to decrease their surplus funds by lowering the rate of interest on deposits. The co-operative movement in these two provinces has thus been

independent of any outside help by way of loans from Government or from any Provincial Bank in other provinces.

98. The liquid resources of these Co-operative Central Banks also appear to be more than ample. In 1927, the liabilities arising out of deposits and loans amounted in the case of the Delhi Co-operative Central Bank to

Liquid resources of Co-operative Central Banks.

Rs. 11,26,264, against which the bank had Government Promissory Notes worth Rs. 2,98,000 and cash balances amounting to Rs. 12,723. In 1928, the liabilities of the bank on account of deposits and loans were Rs. 12,12,556, against which it held Government Promissory Notes and Treasury Bills worth Rs. 2,81,178 and maintained a cash balance with the Punjab Provincial Co-operative Bank amounting to Rs. 39,258, in addition to cash with the Mercantile Bank of India and the Imperial Bank of India amounting to Rs. 13,963. In 1929, its deposits and loans made up a total of only Rs. 12,54,819, against which it had a cash balance amounting to Rs. 7,859 in addition to Government securities of the value of Rs. 2,31,565.

The Ajmer Co-operative Central Bank had, in 1926-27, Government paper worth Rs. 3,83,448 against its liabilities amounting to Rs. 11,29,881, of which only Rs. 10,82,325 were due to depositors. In 1927, its investments in Government paper and interest thereon amounted to Rs. 3,98,524 against debts due by the bank amounting to Rs. 11,12,026. In 1928-29, the debts due by the bank excluding overdrafts on the Imperial Bank and its Treasurer amounted to Rs. 10,56,698 against which it held Government paper of the value of Rs. 5,35,849. The position in respect of liquid funds has thus been all along satisfactory both in the Delhi and Ajmer-Merwara Central Banks.

99. The working capital of primary credit societies and the percentages to the total of each of its constituent items are given below :—

Working Capital of Primary Societies.

Working Capital of Agricultural Co-operative Credit Societies, Ajmer-Merwara.

Head.	YEAR ENDING JUNE 1925.		YEAR ENDING JUNE 1926.		YEAR ENDING JUNE 1927.		YEAR ENDING JUNE 1928.		YEAR ENDING JUNE 1929.	
	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.
	Rs.		Rs.		Rs.		Rs.		Rs.	
Share Capital paid up	2,52,869	15.6	2,49,521	14.5	2,53,228	15.3	2,54,741	16.4	2,90,437	16.4
Reserve Fund	8,07,622	19.0	8,34,361	19.5	8,85,734	22.0	4,37,787	28.2	4,81,788	30.4
Deposits from—										
(a) Members	18,166	..	14,098	..	10,078	..	4,816	..	18,818	..
(b) Non-members	50,104	..	40,536	..	37,125	..	34,796	..	20,474	..
	68,269	4.2	54,629	3.0	47,203	2.8	39,612	2.5	39,292	2.4
Loans from Central Banks and Societies.	9,90,880	61.2	10,73,696	68.0	*9,95,031	59.2	†8,18,372	52.3	†8,08,539	50.7
Loans from Government	16	..	..	..	..	..	..	..	..	..
TOTAL	16,19,656	100.0	17,12,207	100	16,34,198	100	15,50,512	100	15,85,051	100.

* Central Bank Rs. 9,73,098
Societies " 24,335

† Central Bank Rs. 7,96,374
Societies " 21,498

‡ Central Bank Rs. 7,94,951
Societies " 9,188

Non-agricultural Credit Societies, Ajmer-Merwara.

	1924-25		1925-26.		1926-27.		1927-28.		1928-29.	
	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.
	Rs.		Rs.		Rs.		Rs.		Rs.	
Share Capital	33,160	20.7	40,857	18.5	50,818	19.7	59,818	19	67,020	17.1
Reserve Fund	7,339	4.6	14,085	6.3	6,714	2.6	21,079	6.7	14,106	3.6
Deposits from—										
(a) Members	61,508	38.5	77,584	35.2	1,07,445	42.2	1,36,693	43.5	1,65,182	42.2
(b) Non-members	17,669	11.0	39,010	18.1	40,326	15.8	52,962	16.8	90,420	23
Loans from—										
(a) Central Bank	40,007	25	47,307	21.4	48,886	19.2	42,713	13.6	53,849	13.6
(b) Societies . . . . .	..	..	446	.2	784	.8	360	.1	251	.5
TOTAL	1,59,683	..	2,20,189	..	2,54,473	..	3,13,620	..	3,90,828	..

Statement showing the Working Capital of Agricultural Co-operative Credit Societies of Delhi Province.

	1924-25.		1925-26.		1926-27.		1927-28.		1928-29.	
	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.
	Rs.		Rs.		Rs.		Rs.		Rs.	
Share Capital	32,315	8.7	45,207	9.4	58,401	10.2	75,490	12.1	84,409	11.8
Reserve	14,628	3.9	25,997	5.4	40,376	7.0	64,210	10.8	88,739	11.8
Deposits from—										
(a) Members	1,115	0.3	9,648	2.0	172	—	3,725	0.6	2,249	0.3
(b) Non-members	9,002	2.7			1,388	0.2	25,647	4.1	80,591	11.8
Loans from—										
(a) Central Bank	3,09,455	84.2	3,09,656	88.1	4,70,482	82.4	5,42,850	72.8	5,41,682	73.8
(b) Societies	—	—	—	—	—	—	50	—	50	—
Loans from Government	—	—	—	—	—	—	—	—	—	—
TOTAL	3,87,500	..	4,30,508	..	5,70,764	..	6,21,972	..	7,47,670	..

* Separate details of the deposits of members and non-members are not available.

Statement showing Working Capital of Non-agricultural Co-operative Credit Primary Societies of the Delhi Province.

	1924-25.		1925-26.		1926-27.		1927-28.		1928-29.	
	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.
	Rs.		Rs.		Rs.		Rs.		Rs.	
Share Capital	1,919	18.0	994	17.1	1,848	18.9	5,687	11.5	18,027	15.1
Reserve Fund	521	8.5	289	4.6	679	7.0	1,090	2.2	1,590	1.3
Deposits from—										
(a) Members	489	8.3	176	8.0	424	4.4	9,525	19.2	37,584	31.3
(b) Non-members	1,080	7.8	406	6.9	266	2.7	706	1.5	12,417	10.4
Loans from—										
(a) Central Bank	10,496	71.8	8,972	68.8	6,918	71.8	32,359	65.8	49,906	41.6
(b) Societies	197	1.8	..	..	..	..	175	0.8	425	0.8
Loans from Government . . . . .	..	..	..	..	..	..	..	..	..	..
TOTAL	14,702	..	5,817	..	9,685	..	49,542	..	1,19,949	..

Working Capital of Agricultural Co-operative Credit Societies in the North-West Frontier Province.

Heads.	Year ending June 1926.		Year ending June 1927.		Year ending June 1928.		Year ending June 1929.	
	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.	Amount.	Percentage.
	Rs.		Rs.		Rs.		Rs.	
Share capital paid up	678	7.8	3,678	7.8	11,170	10.1	24,155	11.8
Reserve and other funds . . . . .	..	..	111	.2	1,378	1.2	5,157	2.4
Deposits from—								
(a) Members . . . . .	..	..	..	..	786	.6	724	.3
(b) Non-members . . . . .	..	..	71	..	255	.2	1,809	.6
Loans from—								
(a) Central Bank	8,600	92.7	40,289	92.2	96,588	87.7	1,81,325	86.2
(b) Societies . . . . .	..	..	..	..	..	..	..	..
Loans from Government . . . . .	..	..	..	..	..	..	..	..
TOTAL	9,278	..	50,099	..	1,10,072	..	2,12,670	..

These figures show that the agricultural primary societies depend at present for their finance mainly on the central banks, and that this dependence is greatest in the case of the North-West Frontier Province societies. Both in Ajmer-Merwara and Delhi, the non-agricultural credit societies are, however, becoming less and less dependent on the central banks for finance, the percentage of loans from the central banks to the total working capital being only 13·6 per cent. in Ajmer, and 41·6 per cent. in Delhi, at the close of the year 1928-29. The share capital and the reserve funds of Ajmer agricultural credit societies constituted in 1928-29, as much as 46·8 per cent. of their working capital and indicate increasing financial strength. The percentage of deposits to the working capital is highest in the case of non-agricultural credit societies, being as high as 65·2 per cent. in Ajmer-Merwara and 41·7 per cent. in Delhi during the year 1928-29.

100. In recent years the average amount of each loan given by the agricultural co-operative credit societies has been decreasing in Delhi, and increasing in Ajmer-Merwara and North-West Frontier Province. The relevant figures are given below:—

Loans by agricultural
Co-operative Societies.

Average per loan advanced by co-operative societies.

—	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
Ajmer-Merwara . . .	31·9	26·4	25·0	33·5	33·2
N.-W. F. Province . . .	..	57·3	53·6	64·2	59·1
Delhi	88·9	101·6	94·9	85·5	64·4

101. The agricultural credit societies have not restricted their advances to productive purposes alone. Their help is available for all sorts of purposes, productive as well as unproductive. In the following tables, the amounts advanced for various purposes have been re-grouped according as the purpose of the loan is (a) productive, (b) unproductive, but necessary for sustenance,

Purposes for which
loans are taken.

and (c) unproductive and to some extent unnecessary or undesirable :—

AJMER-MERWARA.

Analysis of the purposes of loans advanced by co-operative societies.

	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
	Amount.	Amount.	Amount.	Amount.	Amount.
	Rs.	Rs.	Rs.	Rs.	Rs.
<i>I.—Productive.</i>					
Fodder	700	30,631	8,082	1,367	11,572
Seed and manure	33,765	24,695	50,243	18,764	32,628
Payment of land revenue	8,641	8,265	12,607	20,709	21,142
Weeding and miscellaneous	4,651	2,315	5,884	1,877	2,442
Improvement of wells and <i>nadis</i>	3,008	56,602	2,513	3,006	5,978
Agricultural improvements	1,125	1,013	1,066	2,855	3,426
Purchase of land	1,572	3,027	6,814	3,441	6,403
Redemption of land	10,183	5,043	6,101	7,093	14,269
Purchase of plough cattle	8,509	11,431	10,612	10,438	18,864
Milch cattle	3,156	2,262	1,641	1,288	4,195
Petty trade	3,109	4,386	902	1,198	4,305
TOTAL	78,419	1,49,670	1,06,465	72,036	1,25,224
PERCENTAGE TO GRAND TOTAL	64·5	70·4	65·3	57·2	59·2
<i>II.—Unproductive but necessary.</i>					
Repayment of old debts	20,743	30,442	27,245	19,012	31,003
Building	639	445	555	489	2,049
Maintenance	2,912	8,805	9,157	4,886	13,630
Miscellaneous	2,759	3,427	2,730	16,620	15,457
TOTAL	27,053	43,119	39,687	41,007	62,139
PERCENTAGE TO GRAND TOTAL	22·3	20·3	24·5	32·6	29·4
<i>III.—Unproductive but partly unnecessary.</i>					
Marriage and funeral ceremonies.	15,924	19,763	15,342	12,910	24,255
PERCENTAGE TO GRAND TOTAL	13·1	9·3	9·5	10·2	11·4
GRAND TOTAL	1,21,396	2,12,552	1,61,494	1,25,953	2,11,618

NORTH-WEST FRONTIER PROVINCE.

Analysis of the purposes of loans advanced by co-operative societies.

	1925-26.	1926-27.	1927-28.	1928-29.
	Amount.	Amount.	Amount.	Amount.
	Ra.	Ra.	Ra.	Ra.
<i>I.—Productive.</i>				
Fodder . . . . .	..	..	209	556
Seed	8	20	37	639
Cattle	1,389	1,873	6,059	8,634
Wells . . . . .	..	..	50	..
Trade	55	200	599	609
Payment of land revenue	268	122	150	295
Rent . . . . .	..	120	..	..
Purchase of land	110	..	4,553	7,961
Redemption of land	1,598	2,088	6,328	6,404
Mortgage of land . . . . .	..	..	..	260
TOTAL	3,448	4,423	17,985	25,378
PERCENTAGE TO GRAND TOTAL	37.3	31.3	51.6	43.3
<i>II.—Unproductive but necessary.</i>				
Payment of old debts	5,407	9,061	14,929	28,475
Building . . . . .	..	290	1,210	1,053
Food and grain	373	326	292	879
Household . . . . .	..	..	..	312
Miscellaneous . . . . .	..	..	135	1,268
Education . . . . .	..	..	..	80
TOTAL	5,780	9,677	16,566	32,097
PERCENTAGE TO GRAND TOTAL	62.6	68.7	47.5	54.8
<i>III.—Unproductive and partly unnecessary.</i>				
Ceremonies . . . . .	..	..	270	1,056
PERCENTAGE TO GRAND TOTAL . . . . .	..	..	.8	1.8
GRAND TOTAL	9,228	14,100	34,821	58,531

DELHI.

Analysis of the purposes of loans advanced by co-operative societies.

	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
	Amount.	Amount.	Amount.	Amount.	Amount.
<i>I.—Productive.</i>					
	Rs.	Rs.	Rs.	Rs.	Rs.
1. Fodder . . . . .	..	2,228	1,940	95	6,906
2. Seed	2,029	1,155	1,988	2,095	4,991
3. Rent . . . . .	..	..	120	750	360
4. Land Revenue	796	3,170	2,191	2,768	1,273
5. Agricultural Expenses	1,500	..	300	1,432	755
6. Land improvement . . . . .	..	..	190	290	..
7. Wells . . . . .	..	773	1,177	1,040	312
8. Land purchase . . . . .	..	..	935	150	900
9. Redemption of land . . . . .	..	2,214	656	..	100
10. Mortgage of land . . . . .	..	..	..	..	300
11. Cattle	11,761	10,012	13,623	13,280	6,994
12. Carts . . . . .	..	..	525	200	100
13. Implements . . . . .	..	150	..	..	1,305
14. Trade	2,945	3,525	3,023	1,520	277
15. Repayment of mortgage money.	2,020	..	..	..	..
TOTAL	21,051	23,227	26,668	23,620	24,573
PERCENTAGE TO GRAND TOTAL	55.3	46.3	49.2	65.6	79.8
<i>II.—Unproductive but necessary.</i>					
1. Repayment of old debt	7,627	15,264	13,809	6,923	1,790
2. Building	3,733	4,025	4,819	1,960	920
3. Food and grain . . . . .	..	1,218	740	220	1,660
4. Household expenses	1,000	1,107	2,636	218	170
5. Miscellaneous	256	..	..	55	..
6. Sickness . . . . .	..	..	..	..	100
7. Education . . . . .	..	..	..	70	50
TOTAL	12,616	21,614	22,004	9,446	4,690
PERCENTAGE TO GRAND TOTAL	33.2	43.1	40.6	26.2	15.2
<i>III.—Unproductive but partly unnecessary.</i>					
1. Marriage and death ceremonies, etc.	4,370	5,247	5,541	2,940	1,520
2. Litigation . . . . .	..	100	..	..	..
TOTAL	4,370	5,347	5,541	2,940	1,520
PERCENTAGE TO GRAND TOTAL	11.5	10.6	10.2	8.2	4.9
GRAND TOTAL	38,037	50,188	54,213	36,006	30,783

102. It is worthwhile analysing these figures according to the period for which the amounts borrowed for different objects are really required or may be presumed to have been required. In the sub-joined table the figures given above are, therefore, regrouped into—

- (a) amounts presumed to have been borrowed for short periods,
- (b) amounts presumed to have been borrowed for intermediate terms, and
- (c) amounts presumed to have been borrowed for long periods.

AJMER-MERWARA.

Analysis of the purposes of loans advanced by Agricultural Co-operative Credit Societies classified according to short term, intermediate, and long term.

	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
	Amount.	Amount.	Amount.	Amount.	Amount.
	Rs.	Rs.	Rs.	Rs.	Rs.
<i>I.—Short term.</i>					
Fodder	700	30,631	8,082	1,367	11,572
Seed and manure	33,765	24,695	50,243	18,764	32,628
Weeding and miscellaneous charges.	4,651	2,315	5,884	1,877	2,442
Payment of land revenue and rent.	8,641	8,265	12,607	20,709	21,142
Petty trade	3,109	4,386	902	1,198	4,305
Maintenance	2,912	8,805	9,157	4,886	13,630
Miscellaneous	2,759	3,427	2,730	16,620	15,457
TOTAL	56,537	82,524	89,605	65,421	1,01,176
PERCENTAGE TO GRAND TOTAL.	46.5	38.8	55.5	51.9	47.8

	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
	Amount.	Amount.	Amount.	Amount.	Amount.
<i>II.—Intermediate.</i>					
	Rs.	Rs.	Rs.	Rs.	Rs.
Purchase of plough cattle .	8,509	11,431	10,612	10,438	18,864
Agricultural implements .	1,125	1,013	1,066	2,855	3,426
Marriage and funeral ceremonies.	15,924	19,763	15,342	12,910	24,255
Milch cattle	3,156	2,262	1,641	1,288	4,195
TOTAL .	28,714	34,469	28,661	27,491	50,740
PERCENTAGE TO GRAND TOTAL.	23·7	16·2	17·7	21·9	23·9
<i>III.—Long term.</i>					
Purchase of land	1,572	3,027	6,814	3,441	6,403
Improvement of wells and <i>nadis</i> .	3,008	56,602	2,513	3,006	5,978
Redemption of mortgage land.	10,183	5,043	6,101	7,093	14,269
Buildings	639	445	555	489	2,049
Repayment of old debts .	20,743	30,442	27,245	19,012	31,003
TOTAL .	36,145	95,559	43,228	33,041	59,702
PERCENTAGE TO GRAND TOTAL.	29·8	45·0	26·7	26·2	[28·2
GRAND TOTAL .	1,21,396	2,12,552	1,61,494	1,25,953	2,11,618

NORTH-WEST FRONTIER PROVINCE.

Analysis of the purposes of loans advanced by Co-operative Societies classified according to short term, intermediate, and long term.

	1925-26.	1926-27.	1927-28.	1928-29.
	Amount.	Amount.	Amount.	Amount.
	Ra.	Ra.	Ra.	Ra.
<i>I.—Short term.</i>				
Seed	8	20	37	639
Fodder . . . . .	..	..	209	556
Land Revenue	238	122	150	295
Rent . . . . .	..	120	..	..
Grain	373	326	292	879
Trade	55	200	599	609
Miscellaneous . . . . .	..	..	135	1,268
Household . . . . .	..	..	..	312
TOTAL	724	788	1,422	4,558
PERCENTAGE TO GRAND TOTAL	7.8	6.6	4.1	7.8
<i>II.—Intermediate.</i>				
Cattle	1,339	1,873	6,059	8,634
Ceremonies . . . . .	..	..	270	1,056
TOTAL	1,339	1,873	6,329	9,690
PERCENTAGE TO GRAND TOTAL	15.1	13.3	18.2	16.6
<i>III.—Long term.</i>				
Repayment of debt	5,407	9,061	14,929	28,475
Redemption of land	1,598	2,068	6,328	6,404
Purchase of land	110	..	4,553	7,981
Building . . . . .	..	290	1,210	1,083
Mortgage of land . . . . .	..	..	..	260
Wells . . . . .	..	..	50	..
Education . . . . .	..	..	..	80
TOTAL	7,115	11,439	27,070	44,283
PERCENTAGE TO GRAND TOTAL	77.1	81.1	77.7	75.6
GRAND TOTAL	9,228	14,100	34,821	58,531

DELHI.

Analysis of the purposes of loans advanced by Co-operative Societies classified according to short term, intermediate, and long term.*

	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
	Amount.	Amount.	Amount.	Amount.	Amount.
<i>I.—Short term.</i>					
Trade	Rs. 2,945	Rs. 3,525	Rs. 3,023	Rs. 1,520	Rs. 277
Seed	2,029	1,155	1,988	2,095	4,991
Agricultural expenses	1,500	..	300	1,432	755
Household	1,000	1,107	2,636	218	170
Land Revenue	796	3,170	2,191	2,768	1,273
Land improvement . . . . .	..	..	190	..	..
Fodder . . . . .	..	2,228	1,940	95	6,906
Grain . . . . .	..	1,218	740	220	1,660
Rent . . . . .	..	..	120	750	360
Sickness . . . . .	..	..	..	..	100
Miscellaneous	256	..	..	55	..
TOTAL	8,526	12,403	13,128	7,253	16,492
PERCENTAGE TO GRAND TOTAL.	22.4	24.75	24.2	20.1	53.6
<i>II.—Intermediate.</i>					
Cattle	11,761	10,012	13,623	13,280	6,994
Carts . . . . .	..	..	525	200	100
Implements . . . . .	..	150	..	..	1,305
Ceremonies and Marriage	4,370	5,247	5,541	2,940	1,520
Litigation . . . . .	..	100	..	..	..
TOTAL	16,131	15,509	19,689	16,420	9,919
PERCENTAGE TO GRAND TOTAL.	42.4	30.9	36.3	45.6	32.2
<i>III.—Long period.</i>					
Old debt	7,627	15,264	13,809	6,923	1,790
Building . . . . .	..	4,025	4,819	1,960	920
Wells	† 3,733	773	1,177	1,040	312
Redemption of land . . . . .	..	2,214	656	..	100
Purchase of land . . . . .	..	..	935	150	900
Mortgage of land	‡ 2,020	..	..	..	300
Education . . . . .	..	..	..	70	50
TOTAL	13,380	22,276	21,396	12,333	4,372
PERCENTAGE TO GRAND TOTAL.	35.2	44.3	39.5	34.3	14.2
GRAND TOTAL	38,037	50,188	54,213	36,006	30,783

* Selected by Co-operative Department every year.

† Wells and building.

‡ Mortgage money.

The most striking fact brought out by these tables is the large percentage of the total loans borrowed for objects which really require intermediate term and long period loans. In 1928-29, these amounted to 92·2 per cent. of the total in the North-West Frontier Province, 52·1 per cent. in Ajmer-Merwara, and 46·4 per cent. in Delhi. In the year 1927, the percentage of these loans to the total was 95·9 in the North-West Frontier Province, 48·1 per cent. in Ajmer-Merwara and 79·9 per cent. in Delhi. During the years 1924-25 to 1928-29 loans for short term purposes varied between 38·8 and 55·5 per cent. of the total in Ajmer-Merwara, between 4·1 and 7·8 per cent. in the North-West Frontier Province, and between 20·1 and 53·6 per cent. in Delhi Province.

The presumption as to the long periods for which the loans advanced by the co-operative banks are actually used is strengthened by the fact that in recent years the proportion of the loans advanced during the year to the working capital of the Central Bank has been declining appreciably faster than that of the loans due at the end of the year to the working capital.

The relevant figures for the years 1925 to 1929 are given below :—

Delhi Central Co-operative Bank.

Year.	Working capital.	Loans advanced during the year.	Percentage of working capital.	Loans due at the end of the year.	Percentage of working capital.
1925	7,09,552	2,83,420	39·94	5,98,205	84·31
1926	8,75,103	3,75,371	42·89	7,33,092	83·77
1927	12,02,304	3,15,408	26·23	9,38,490	78·06
1928	13,20,608	2,80,363	21·23	8,42,858	63·82
1929	14,01,525	3,50,440	25·00	10,14,618	72·39

The Central Co-operative Bank, Ajmer-Merwara.

Year.	Working capital.	Loans made during the year.	Percentage of working capital.	Loans due at the end of the year.	Percentage on working capital.
1924-25	12,81,927	7,73,590	60.3	11,45,037	89.3
1925-26	20,79,410	11,73,069	50.6	18,06,766	86.9
1926-27	21,83,746	12,48,135	57.1	16,89,521	77.4
1927-28	21,02,701	7,55,813	34.5	16,09,578	76.5
1928-29	20,86,901	8,34,331	39.9	14,96,703	71.7

103. There are no special institutions for long-term credit in Delhi and the North-West Frontier Province, but a beginning in this direction has already been made in Ajmer-Merwara, where there exist at present 3 co-operative mortgage banks and 10 mortgage societies. These are financed not by long period funds raised by means of debentures issued to the public but by means of loans from the Co-operative Central Banks. During the year ending the 30th June 1928, the total amount of loans advanced by these banks, *i.e.*, mortgage banks and societies, was only Rs. 11,126 and during the year ending the 30th June 1929, the amount advanced increased to Rs. 25,385. Eighty-nine loans amounting in the aggregate to Rs. 19,827 were granted in 1928-29 for redemption of land and 25 loans amounting in the aggregate to Rs. 5,558 were advanced for improvement of wells and *nadis*. Till the 30th June 1929, 1,652 bighas of land had been redeemed by the members of these co-operative mortgage banks and societies with the help of these institutions.

The method of work of these institutions is described by the Registrar of Co-operative Societies, Ajmer, in the following extract taken from his written memorandum submitted to the Committee :—

“ The method of work of these institutions is that a person who wants to take a loan submits an application in the prescribed form. He has to attach copies of his *khwat* and *khasra girdawari* from the revenue records.

Two independent enquiries are conducted, one by the Sub-inspector who is a paid person and the other by one or two directors (of the bank) of the Circle in which the person resides. These enquiries relate to his land holding, nature of the soil, irrigation resources, value of land, income from land, cost of production, income from other sources, sureties for other land to be taken in mortgage, period of loans, number of instalments, character and credit of the applicant and his repaying capacity. Enquiry is also made under what circumstances and for what objects the loans were contracted by the applicant. At present loans are advanced only for (1) redemption of land and (2) improvement of land. The Boards are authorised to sanction loans up to Rs. 500 and loans exceeding that amount are advanced with the sanction of the Registrar of Co-operative Societies. These banks borrow funds at 6 to 8 per cent. and advance loans at 8 to 12 per cent. Loans are not advanced direct to the borrower in cash for redemption of mortgages, but either the money is paid in cash before the Sub-Registrar, or cheques are issued direct in the name of the mortgagee. Loans for improvement of land are advanced by instalments after seeing that the previous instalments have been properly applied. On the Board's sanctioning the loan, intimation is given to the applicant who then brings his sureties and the amount of the share money, which is based on the amount of the loan required. The land to be redeemed is taken as security by getting it registered together with other land owned by the borrower".

CHAPTER XI.

ADEQUACY OF THE CO-OPERATIVE MOVEMENT.

104. In the preceding Chapter we have attempted to give a brief sketch of the co-operative credit movement in the Centrally Administered Areas so as to set out the achievements and the strong points of the movement. In the present Chapter and the next one, we propose to examine the movement a little more critically with a view to form a proper estimate as to the adequacy of the movement from the banking point of view and to point out a few of its existing limitations and defects.

Existing defects.

So far as the North-West Frontier Province is concerned, the movement is professionally in a stage of infancy and has not yet gained a firm footing or touched even the fringe of the problem of its rural indebtedness.

Delhi Province is more urban than rural. Its total urban population at the census of 1921 was 3,04,420 and the rural 1,83,768. Intensive enquiries into selected villages suggest a slight decline in the rural population and common observation points to a considerable increase in the urban population since the census of 1921; but the number of members in the agricultural co-operative credit societies in June 1929 was 50,011 as against only 1,376 in the non-agricultural credit societies. In other words, although the province is predominantly urban, the co-operative movement of the province is overwhelmingly rural. There is no doubt that there are a number of branches of Indian joint stock and exchange banks in addition to the Imperial Bank and the Post Offices in the city, but except the Post Office Savings Banks, these attend to the needs of large traders and merchants only, leaving the bulk of the urban community of the Delhi Province practically untouched by banking facilities, except that the Post Office Savings Banks receive deposits. The bulk of the population of the Delhi Province depends for its livelihood not on production of raw materials, but on industry, transport, trade, public administration and miscellaneous occupations including domestic service, and the economic needs of persons of limited means, included in these sections, have been practically ignored by the Co-operative Department. The evidence before us particularly of the Inspectors of Co-opera-

tive Societies, Delhi, revealed exceedingly unsatisfactory credit conditions for the poorer section of the urban community, for the stipulated rates of interest in their case were even higher than those obtaining in the rural area. The idea that the co-operative movement is designed to operate primarily in rural areas and the heterogeneous composition of the urban population would seem to be responsible for this lack of adequate activity on the part of the Co-operative Department in this peculiarly urban province.

The Province of Ajmer-Merwara has a rural population of 3,30,574 and an urban population of 1,64,697 while the number of members in agricultural co-operative credit societies in 1928-29 was 9,768 as against 2,139 in the non-agricultural co-operative credit societies. Ever here, there is room for improvement in urban areas, though in fairness to the Department it should be noted that in recent years it has been making efforts to attend to the needs of the urban communities by means of Thrift and Saving Societies, House-Building Societies, Educational Societies and Marriage Fund Societies. The number of members in each of these societies is still very small, but initial difficulties, inevitable in a movement of this sort seem to have been largely overcome, and the foundations for future development of the urban side of the co-operative movement in Ajmer-Merwara appear to have been well laid. In Delhi, while there has been a rapid and continuous progress both in number and members of co-operative societies in the rural area throughout the period 1919-29, there was not only a gradual decline both in the number of co-operative members and societies in the city till 1924-25, but also a serious set back in the progress of the movement in urban areas from 1924 right up to the end of 1926-27. Even in 1927, the total number of non-agricultural credit societies was smaller than in 1920-21. There was, however, an appreciable improvement in 1928, but time would show whether that improvement represents the beginnings of a really sound and steady growth of urban societies in the Delhi Province. We cannot too strongly emphasise the urgent need of stimulating the activities of the Co-operative Department in the urban areas of this province for apart from meeting the needs of a large urban population, we believe that the spread of the gospel of co-operation among the urban communities is likely eventually to have healthy repercussions in rural areas by increasing

rapidly the supply of co-operative missionaries for propaganda work in villages and thus accelerate the process of freeing the movement from official control.

105. As regards the rural population, the representatives of the Co-operative Department stated that the movement had not so far touched the small trader in the rural areas. It is possible that this is due to the common impression that the trader in the rural areas is only a professional money-lender who lives wholly or mainly by money-lending; but the intensive enquiries conducted in the selected villages show that this is by no means a correct assumption in quite an appreciable number of cases.

Co-operative statistics do not distinguish between proprietors, cultivators and the landless class; but the Registrar of Co-operative Societies, Ajmer-Merwara, mentions in paragraph 13 of his "Report on the working of the Co-operative Societies, 1928-29," that the number of 'poor' men among the members of the co-operative credit societies was 1,364 on the first of July 1927 and 1,281 on the first of July 1928 and states in answer to a specific query that "these poor men are nearly all landless labourers". On this assumption only 16 per cent. of the total number of the members of the agricultural credit societies are landless labourers, whereas the proportion of 'helpers in cultivation' taken together with 'farm servants' and 'field labourers' to 'ordinary cultivators' in Ajmer-Merwara was 104 : 136 at the census of 1921. It is obvious that compared to their total strength, landless labourers are not getting a fair share of the benefits of the co-operative movement or of the attention of the Co-operative Department in Ajmer-Merwara. In the case of Delhi, the Inspector of Co-operative Societies, (Rural) Delhi, was requested to make an investigation on the point in a few typical village societies and the result of his enquiry is summarised in the following tabular statement submitted by him:—

Total No. of agricultural credit societies in Delhi.	No. of agricultural credit societies in which enquiries were made.	NUMBER OF MEMBERS.			
		Proprietors.	Tenants.	Landless labourers.	TOTAL.
234	115	1,787	310	328	2,425
Percentage of the total .		73.7	12.7	13.6	

Analysis of families who have borrowed from co-operative societies in some of the villages selected for intensive survey in Delhi Province yield the following results :—

Members of Co-operative Societies.

Villages.	Owners.	Tenants.	Partly owners and partly tenants.	Labourers.
1. Nangloi Sayyad . . .	9	9	4	..
2. Shahpur Jat . . .	14	4	12	..
3. Nangli Sakravti . . .	18	..	5	..
4. Jonapur	12	2	5	..
5. Haus Rani	40	9	20	2
6. Masjid Moth	1	3	5	..
7. Silampur	5	3	4	..
8. Rajpur Khurd . . .	6	1	5	..
TOTAL	105	31	60	2

The position in Delhi thus appears to be even worse than in Ajmer-Merwara, for here the number of labourers who are members of co-operative societies is infinitely small. It appears that this is due partly to the fact that members who have proprietary rights in land fight shy of the landless class in unlimited liability societies and partly to the tendency in co-operative societies to lay more emphasis on the security of a member's property than on his character.

In any case, the broad fact cannot be denied that the co-operative movement in rural areas has as yet touched only a fraction of the population. The total rural population of the Delhi Province is 1,83,768 and the total number of members in agricultural credit societies is 5,011. The average size of the family at the census of 1921 was 4·3 which means that only 21,547 persons were within the co-operative movement; this works out to 11·2 per cent. of the rural population. The rural population of Ajmer-Merwara is 3,30,574 and the total number of members in the

primary agricultural credit societies is at present 9,768. The average size of the family at the census of 1921 was 4.22 which means that only 41,220 persons are at present within the co-operative movement; this works out to 12.5 per cent. of the rural population.

106. Apart from these limitations of the progress of the co-operative credit movement, there is another aspect of the matter that cannot be lost sight of. In Ajmer-Merwara the move-

Memberships.

ment has made absolutely no progress in numbers for several years. In fact the total number of members in agricultural credit societies in 1913 (10,387) was slightly higher than the total number in 1928-29 (9,768), which in fact means that for nearly 16 years the movement has been practically stationary. Looking more closely at the history of the movement, it is found that it made appreciable progress between 1912 and 1916 so far as numbers go, but ever since 1916-17 it has been showing an almost continuous decline in numbers. The number of societies in 1928 is undoubtedly greater than what it was in 1913, but there has been a steady decline between 1920-21 and 1927-28. Considering the figure for 1928-29 as a normal figure, there has been an increase of only 8 agricultural credit societies during the 9 years since 1920, which works out at less than one society per year. Even if we take only recent years (since 1923) into account, the rate of progress does not appear to be encouraging. In the Ajmer Circle, the number of members has increased by 132 in the 6 years between 1923 and 1928, which means an increase of only 6.2 per cent. in 6 years or 1 per cent. per annum. In Beawar Circle the number of members increased in the same 6 years by 1,030 or by 8.1 per cent. per annum, over the total number in 1923-24; in Todgarh Circle there was an increase of 216 in the number of members between 1923 and 1928, which means an increase of 25 per cent. on the total number in 1923 or 4 per cent. per annum.

107. The limited field covered by the co-operative credit agencies is brought out even more strikingly by the amounts borrowed from the co-operative societies compared to the total indebtedness of the villages. The extensive survey of indebtedness in 511 villages of Ajmer-Merwara shows that of the total rural debt of over 197 lakhs only Rs. 17,04,662 were borrowed from co-operative societies

Extent of finance provided.

and banks. In other words the co-operative movement financed the rural population to the extent of only 8.6 per cent. of their indebtedness. Intensive enquiries in 20 selected villages indicate a slightly lower ratio. Of the total debt amounting to Rs. 12,67,474, only Rs. 83,731 or 6.6 per cent. was borrowed from the co-operative societies.

No extensive enquiries could be conducted in the North-West Frontier Province; but the intensive survey in 16 selected villages indicates that the rural areas of this province are financed by the co-operative movement to the extent of only Rs. 9,357 out of a total indebtedness of Rs. 31,62,729, *i.e.*, only .29 per cent. of their indebtedness. The detailed figures are given below :—

NORTH-WEST FRONTIER PROVINCE.

Intensive Survey of selected villages.

No.	Villages.	Total debt.	Co-op. Banks.
		Rs.	
1.	Chamkani	56,587	...
2.	Pabbi	1,90,867	...
3.	Shabqadar	1,75,351	...
4.	Mayar	1,29,513	...
5.	Manki	64,484	...
6.	Lachi Bala	1,07,933	...
7.	Hangoo	2,53,602	...
8.	Billitang	1,21,870	...
9.	Dhamtaur	2,65,129	4,200
10.	Kot Najibulla	3,26,249	5,157
11.	Panodheri	61,685	...
12.	Ghoriwala	2,51,679	...
13.	Shahbaz Khel	1,96,869	...
14.	Potah	62,434	...
15.	Maddi	4,41,455	...
16.	Gul Imam	4,58,002	...
	TOTAL	31,63,729	9,357
	Percentage to total debt	...	.26

In Delhi intensive enquiries in 14 selected villages show only 6.1 per cent. of the total loans as the share of the co-operative movement among the financing agencies of the

rural areas. The detailed figures and percentages in each village are given below:—

DELHI PROVINCE, INTENSIVE SURVEY.
Class of creditors.

Names of villages.	Government.	Co-operative banks.	Agriculturist money lenders.	Non-Agriculturist money lenders.	Total.	Percentage to the total of loans by Co-operative banks.
	Rs.	Rs.	Rs.	Rs.	Rs.	
1. Nangloi-Sayyad	1,857	4,486	16,580	12,464	35,387*	12.7
2. Shahpur Jat	821	5,832	94,460	78,730	1,79,843†	3.2
3. Deorala	2,200	..	19,576	7,286	29,062	..
4. Nangli Sakravti.	4,247	6,634	2,303	20,619	33,803	19.0
5. Jafarpur Kalan.	375	4,980	9,300	20,212	34,867	14.3
6. Masjid Moth	525	3,760	37,925	7,025	49,835	7.5
7. Silampur	..	1,250	..	23,715	24,965	5.0
8. Rajpur Khurd	125	2,486	13,656	..	16,267	15.0
9. Dallupura	720	..	2,860	14,590	18,170	..
10. Mohammadpur. Majri.	..	..	24,479	7,200	31,679	..
11. Jhangola	1,461	..	5,057	24,713	31,231	..
12. Jonapur	345	3,032	7,712	49,085	60,124	5.0
13. Haus Rani	760	6,112	32,173	29,462	68,507	9.9
14. Akbarpur Majra	665	..	1,930	12,560	15,155	..
TOTAL	14,101	38,572	2,68,011	3,08,211	6,28,895‡	..
Percentage of each to the total.	2.2	6.1	42.6	49.0		

* Excluding Rs. 2,810 unclassified.

† Excluding Rs. 18,621 unclassified by the Investigator.

‡ Excluding Rs. 21,430 unclassified.

The extensive survey of indebtedness in 292 villages suggests that the results of intensive enquiries are on the whole an over-estimate. Of the total indebtedness extending to Rs. 90,22,394, the co-operative movement financed the rural population to the extent of only Rs. 5,39,601, *i.e.*, less than 6 per cent. of the total.

Does the movement finance even its own members adequately, or has it freed its members from dependence on other agencies? The answer to both these vital questions is unfortunately in the negative. In 1923-24 only one out of 2,102 members of co-operative societies in Ajmer Circle, 323 out of 2,124 members of co-operative societies in Beawar Circle, and 124 out of 868 members of co-operative societies in Todgarh Circle were free from *mahajan's* debt. In 1928-29 the position improved both in Ajmer and Tod-

garh Circles, though not in Beawar; but even then the number of members free from *mahajan's* debt was only 9·2 per cent. in Ajmer Circle, and 9·7 per cent. in Todgarh Circle. Detailed analysis of intensive enquiries into 14 villages of Ajmer-Merwara confirms this conclusion as the following table will show:—

Villages.	Total number of families who have borrowed from the village co-operative societies.	No. of families who deal only with co-operative societies.
1. Bhagwanpura	39	...
2. Bagar	28	1
3. Balad	48	13
4. Sanadh	30	...
5. Rawatmal	14	...
6. Nayran	7	...
7. Dansarian	1	...
8. Sarana	15	2
9. Banjari	11	...
10. Galti	14	...
11. Bar	19	...
12. Lavera	9	...
13. Rajiawas	17	2
14. Rupnagar	11	2
Total	263	20

108. Allegations having been made before the Committee that several members of co-operative societies borrow from the *mahajans* to repay their instalments to societies, the Extra Assistant Commissioner, Merwara, was requested to make a detailed enquiry into the matter in a few villages, and the result shows that even such cases are unfortunately far too common.

In Delhi the position appears to be no better. Of the five typical village societies selected for enquiry by the Inspector of Co-operative Societies, in not a single society are *all* the members free from the *sahukar's* debt; in one, not a single member is free of *sahukar's* debt; in the remaining four only 11 members out of a total 110 are in that position. Taking the five societies together only 11 out of 130 members, or only 8·4 per cent., are independent of outside financing. Further details of the results of this interesting enquiry are summarised in the following table submitted to the Committee by the Inspectors of Co-operative Societies, Delhi:—

Serial No.	Name of a typical Society.	Age of Society.	Total No. of members.	NO. OF MEMBERS FROM DBBT.			No. of members typical of the village.	Proportion between owner and tenant members.	Proportion of menials and non-agriculturist to total members.	Total No. of Houses.	OUT OF WHICH			Increase in population since 1920.
				Society and Sahukar.	Sahukar.	Society.					Landed agriculturist.	Landless agriculturists.	Menials.	
1	Shahabad Daulatpur (Canal irrigated).	3 years.	88	8	8	3	84	20 : 4	10 : 38	180	67	8	60	100 nearly.
2	Ghaunda (Shahdara side).	3	35	..	1	..	16	32 : 2	2 : 35	200	120	15	65	25
3	Madangir	6	15	1	6	2	14	15 : 0	..	83	32	..	1	20
4	Khirkh	8	22	..	1	..	18	22 : 0	2 : 22	65	50	..	15	..
5	Khurajl Khas	2	20	..	..	..	19	20 : 1	0 : 20	100	70	5	25	There is decrease of 100 persons.

NOTE.—1. It may be noted that no information has been received for Dabar Ilaq, otherwise all geographical divisions of the Province are represented by the above Societies.

2. We could not ascertain the population of the village concerned. However, the number of houses is given in each case and from these an estimate of population can be made.

(SA.) BIR SINGH,
Inspector Co-operative Societies,
(Rural) Delhi.

Analysis of intensive surveys in 9 villages of Delhi suggests that the actual position in the whole province is probably very much worse as the following figures will show :—

Villages.	No. of those who borrowed from co-operative societies.	No. of those who have borrowed exclusively from co-operative societies.
1. Nangloi Sayyad	22	...
2. Shahpur Jat	30	1
3. Hauz Rani	71	3
4. Rajpur Khurd	12	1
5. Nagli Sakravti	23	1
6. Silampur	12	...
7. Masjid Moth	9	1
8. Jonapur	19	...
9. Jafarpur Kalan	43	...
TOTAL	241	7

In other words, only 2.9 per cent. are free from outside debt.

109. Not only are an overwhelming majority of members of co-operative societies indebted to creditors other than their societies, but the bulk of the debt they owe is due to these outside creditors. The statement supplied to us by the Registrar, Co-operative Societies, Ajmer-Merwara, and reproduced on pages 36-38, shows that the outside debt of the members was Rs. 30,73,172 as against Rs. 14,81,961 owed to co-operative societies.

Much the same impression is produced on the mind by a glance at the following figures, taken from the intensive surveys of some villages in this province :—

Analysis of the debt of the members of the Co-operative Societies.

Villages	Total amount borrowed by co-operative members.	Amount borrowed from the co-operative society.
1. Bhagwanpura	37,052	5,893
2. Bagar	23,300	5,554
3. Balad	27,730	17,120
4. Sanadh	26,284	7,279
5. Rawatmal	15,771	858
6. Nayran	8,140	7,195
7. Dansarian	701	200
8. Sarana	6,622	2,192
9. Banjari	10,859	1,124
10. Galti	8,400	2,487
11. Bar	14,789	2,454
12. Lavera	16,928	4,900
13. Rajiawas	12,299	4,487
14. Rupnagar	6,055	3,110
TOTAL	2,14,930	64,935

Percentage to total 30.2.

The share of co-operative institutions in financing their members appears to be considerably lower in Delhi as the following figures taken from intensive survey of 8 villages show :—

Villages.	NUMBER AND PERCENTAGE TO TOTAL OF FAMILIES WHO HAVE BORROWED FROM CO-OPERATIVE SOCIETIES.		Total indebtedness of these families.	Average indebtedness per family.	Amount borrowed from co-operative societies.	Percentage of loans from co-operative societies to total.
	Number	Percentage.				
			Rs.	Rs.	Rs.	
1. Nangloi-Sayyad	22	61.1	25,906	1,245	4,486	17.8
2. Shahpur Jat	30	21.6	76,787	2,559	5,832	7.6
3. Nangli-Sakravti	28	35.3	19,186	884	6,634	34.5
4. Jonapur	19	28.3	32,057	1,687	3,082	9.4
5. Haus Rani	71	54.6	47,750	672	6,112	12.8
6. Masjid Moth	9	13	33,685	3,742	3,760	11.1
7. Silampur	12	24	14,550	1,212	1,250	8.5
8. Rajpur Kburd	12	38.7	11,092	924	2,486	22.4
TOTAL	198	34.6	2,61,013	1,318	33,592	12.8

The latest *haisiyat* statements of co-operative societies in Delhi indicate a somewhat higher proportion of society's debt to the total debt of members, the total debt being Rs. 14,76,440, or Rs. 396 per member, of which societies' loans amount to Rs. 5,93,528, or Rs. 106 per member. In other words, the co-operative movement even on its own showing finances its members to the extent of only 26.7 per cent. of their total indebtedness.

The foregoing criticism should not be understood to imply a suggestion on our part that more rapid progress should have been made *anyhow*. A mere increase in numbers or in the amount of loan per member means nothing, if it is brought about at the expense of the soundness of the co-operative movement. In fact, as our observations in the next two chapters will show, we are entirely in favour of cautious, rather than rapid, growth. These figures, however, lead us to the conclusion that if the movement is to continue on sound lines, it must take a very long time before it can draw a *majority* of "people of limited means" within its orbit, and that therefore it is futile to expect that an early and rapid improvement in banking and credit facilities can take place through the agency of the co-operative movement alone.

CHAPTER XII.

DEFECTS IN THE CO-OPERATIVE INSTITUTIONS.

110. The co-operative movement cannot be judged merely by the numerical strength of its members or societies; it has to satisfy the much higher standard of co-operative ideals and practice. The essential foundations of the movement are mutual help and mutual control; and the officials of the Co-operative Department who appeared in evidence before the Committee have frankly admitted that much remains to be done before these essential principles are fully grasped and followed by members of the co-operative societies. Among the other common defects in the co-operative credit societies, enumerated by persons connected with the co-operative movement, are:—

Management of Co-operative Societies.

- (1) Selection of dishonest and highly indebted members.
- (2) Insufficient attention to previous indebtedness of members.
- (3) Selection of selfish, partial and irresponsible members of the managing committees.
- (4) Lavish borrowings by committee members.
- (5) Unpunctuality in repayments.
- (6) Inability of members to manage their societies independently of the help of the staff.
- (7) Absence of honorary workers, and the inadequacy of the co-operative staff.
- (8) Unwillingness to take prompt and stern action against defaulters.
- (9) Lack of proper supervision over societies.
- (10) Dilatory liquidation of bad societies.

111. On the deposit side the movement has not shown any appreciable development. The co-operative central banks are undoubtedly able to attract *outside* deposits, but except in Ajmer-Merwara, far too large a proportion of these outside deposits comes from local bodies, officials, institutions and minors, due largely to a widespread feeling that Govern-

Deposits.

ment is in some way responsible for the safety of the depositors' money. In the North-West Frontier Province out of a total of Rs. 1,49,946 on account of deposits and borrowings of the Central Co-operative Bank, Hazara, in 1928-29, as much as Rs. 1,27,254 were deposits from Municipal Committees, District Boards and Notified Area Committees. In the Delhi Central Co-operative Bank, the deposits of local bodies amounted to Rs. 3,03,000 out of a total of Rs. 6,69,534 in 1925-26, to Rs. 3,33,000 out of a total of Rs. 10,33,284 in 1926-27, to Rs. 3,78,600 out of a total of Rs. 10,76,214 in 1927-28, and to Rs. 3,64,000 out of a total of Rs. 11,21,451 in 1928-29. None of these central banks is a balancing centre for its affiliated societies, the proportion of deposits from primary societies being everywhere negligible or *nil*. Members' deposits are comparatively too small. In 1928-29, the members' deposits in the Delhi Central Co-operative Bank amounted to only Rs. 57,935 out of a total of Rs. 11,31,451, *i.e.*, only 5.2 per cent. of the total. In 1927-28, individual members, societies and central banks taken together had only Rs. 44,600 deposited in the Central Bank out of a total deposit of Rs. 10,76,215. In 1926-27, the deposits of individual members, societies and central banks aggregated only Rs. 36,138 out of a total of Rs. 10,33,284. In 1925-26, the members' deposits in the Delhi Central Co-operative Bank were *nil*. The position in the primary agricultural credit societies of Delhi is distinctly worse. Out of a total working capital of Rs. 7,47,620 lakhs in 1928-29 the deposits amounted to only Rs. 32,840 and members' deposits to only Rs. 2,249. Only 5 societies out of 234 agricultural credit societies are independent of the Central Bank's loans. In this respect the non-agricultural credit societies of Delhi are certainly better. Out of a total working capital of Rs. 1,01,922 in 1928-29, the deposits amounted to Rs. 50,001, of which as much as Rs. 37,584 were deposits from members. On the whole, the funds in the movement represent urban rather than rural savings and the deposit side of the activities of rural societies has a heavy leeway to make up.

Much the same observations apply to the co-operative movement in Ajmer-Merwara. Deposits from the central banks and societies formed only 6 per cent. of the working capital in 1924-25, 2.3 per cent. in 1925-26, 2.8 per cent.

in 1926-27, and 5·7 per cent. in 1928-29. On the 31st December 1928, the deposits by primary societies in the Beawar Central Co-operative Bank amounted to only Rs. 3,463 against deposits by individuals amounting to Rs. 42,138. In the Ajmer Central Co-operative Bank the savings bank deposits on 30th June 1928 were *nil*; and the current account deposits of primary societies were Rs. 15,013; while the fixed deposits of non-agricultural societies amounted to only Rs. 73,103, and those from individuals aggregated Rs. 8,01,869. In the Nasirabad Central Co-operative Bank the deposits from primary societies, whether current or fixed, amounted to only Rs. 7,032 against a total working capital of Rs. 1,12,990 on the 30th June 1929. It is clear that the central banks of Ajmer-Merwara including the Ajmer Central Co-operative Bank, which occupies almost the position of a provincial co-operative central bank, are almost wholly financing institutions rather than balancing centres for their affiliated societies.

In the agricultural credit societies of Ajmer-Merwara deposits constitute a very small proportion of the working capital, and members' deposits are almost negligible. The deposits from members and non-members taken together amounted to only Rs. 68,269 or 4·2 per cent. of the working capital in 1924-25, to Rs. 54,629 or 3·0 per cent. of the working capital in 1925-26, to Rs. 47,203 or 2·8 per cent. of the working capital in 1926-27, to Rs. 39,612 or 2·5 per cent. of the working capital in 1927-28, and to Rs. 39,287 or 2·4 per cent. of the working capital in 1928-29. Thus not only the proportion of deposits to the working capital has been declining steadily but even the aggregate amount in 1928-29 is substantially less than the total deposits in 1924-25. Members' deposits declined from Rs. 18,165 in 1924-25 to only Rs. 4,816 in 1927-28, and constituted 1·1 per cent. of the total working capital in 1924-25, 8 per cent. in 1925-26, 5 per cent. in 1926-27, 3 per cent. in 1927-28, and 1·1 per cent. in 1928-29. The position is distinctly worse in the North-West Frontier Province. In 1928-29 the deposits from members amounted to only Rs. 724 and those from non-members aggregated only Rs. 1,309, out of a total working capital of Rs. 2,12,670 for the agricultural credit societies.

112. One of the most important services that the agricultural co-operative credit organisations can perform in the rural economy of India is the development of the habit of thrift among their members. The growth of members' deposits and of the various items of owned capital is indicated in the following tables compiled from official statistics relating to agricultural credit societies :—

Co-operative credit organizations as agencies for developing habits of thrift.

AGRICULTURAL CREDIT SOCIETIES.

Ajmer-Merwara.

	1924-25.	Average per member.	1925-26.	Average per member.	1926-27.	Average per member.	1927-28.	Average per member.	1928-29.	Average per member.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Paid-up share capital	2,52,860	27.31	2,49,521	26.10	2,53,228	26.40	2,54,741	27.52	2,60,437	26.60
Deposits from members	18,105	1.06	14,030	1.46	10,078	1.05	4,816	.52	18,813	1.02
Reserve	3,07,622	33.22	3,34,301	34.97	3,85,734	40.22	4,37,787	47.27	4,81,788	49.32
TOTAL	5,78,656	62.49	5,97,921	62.53	6,49,040	67.67	6,97,344	75.31	7,61,038	77.00

	Total No. of members.	Total No. of members.
1924-25	9,259	9,261
1925-26	9,550	9,708
1926-27	9,580	

AGRICULTURAL CREDIT SOCIETIES.

Delhi.

	1924-25.	Average per member.	1925-26.	Average per member.	1926-27.	Average per member.	1927-28.	Average per member.	1928-29.	Average per member.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Paid-up share capital	32,315	9.78	45,207	11.85	58,401	13.74	75,490	16.13	84,409	16.84
Deposits from members	1,115	.33	..	..	172	.04	3,725	.79	2,249	.44
Reserve	14,623	4.42	25,997	6.81	40,376	9.50	64,210	13.74	88,730	17.70
TOTAL	48,053	14.53	71,204	18.66	98,949	23.28	1,43,425	30.66	1,75,397	34.08

	Total No. of members.	Total No. of members.
1924-25	3,302	4,672
1925-26	3,813	5,011
1926-27	4,250	

AGRICULTURAL CREDIT SOCIETIES.

North-West Frontier Province.

	1925-26.	Average per member.	1926-27.	Average per member.	1927-28.	Average per member.	1928-29.	Average per member.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Paid-up share capital	678	3.19	3,678	5.4	11,170	7.97	24,155	9.66
Deposits from members . . . . .	..	..	..	..	736	.52	724	.28
Reserve . . . . .	..	..	111	.16	1,373	.98	5,155	2.06
TOTAL	678	3.19	3,789	5.56	13,279	9.47	30,034	12.00

	Total No. of members.	Total No. of members.
1925-26	212	1,400
1926-27	681	2,500
1927-28		
1928-29		

It will be noticed that in neither of the three Areas has there been any growth, worth speaking of, in the deposits per member. In Ajmer-Merwara even the share capital per member has declined slightly. It is only the reserve that shows steady growth. Increase in paid-up share capital is no real indication of the growth of habits of thrift among members; it is really an indication of a desire for more borrowing. Increase in the reserve is due not to the progress of thrift but to the substantial margin between the borrowing and the lending rate of societies and at best to economy in the management of the societies. The real index of the growth of the habit of thrift is the increase in deposits from members, and this in all the three Areas is disappointing, to say the least. Even the growth of owned capital per member cannot be regarded as satisfactory if the indebtedness per member has; as we shall have occasion to prove later on, actually increased.

113. In a previous chapter we have already shown that a large percentage of the total loans advanced by agricultural co-operative societies has in recent years been granted for purposes for which loans are really required either for long terms or for intermediate periods. The bulk of the financing of the agricultural co-operative credit societies is done by the co-operative central banks whose main source of funds are the deposits from members and non-members. In none of the central banks in the Centrally Administered Areas the period of fixed deposits exceeds 3 years and the bulk of the deposits are generally for not more than one year. Short period funds are thus being used to a certain extent for purposes for which funds are really needed for long periods or intermediate terms. No attempt seems to have been made to restrict loans for purposes, which are likely to tie up funds for terms much longer than the average term of deposits, to the strict limits of owned capital. The failure to distinguish between short term and long term loans and between short period deposits and long period funds, is likely to create in any crisis a rather serious situation in the co-operative movement.

114. The Audit Reports of the Central Co-operative Bank, Delhi, disclose many other unsatisfactory features

Short period funds used for long period loans to a certain extent by the co-operative credit agencies.

of the working of the co-operative movement. In far too many societies, the loans advanced by the central bank have exceeded in some years the maximum credit limit fixed by the Registrar, in spite of the auditor's admonitions; in a large number of societies no recoveries have been made in 1928-29; the recoveries made in 1927 were also poor; the amounts realised from societies under liquidation have been generally disappointing; the doubtful debts of the central bank have been increasing since 1926; fictitious entries are not uncommon, and the provision for depreciation in the market value of Government securities is only $\frac{1}{3}$ rd of their actual depreciation during the latest year for which co-operative statistics are available.

The position in Ajmer does not seem to be very much better. The auditor of the Ajmer Central Co-operative Bank points out, in his reports for the years 1924-25, 1925-26 and 1926-27, that there are several societies which have been given loans beyond their maximum credit limits, and brings out, in his report for the year ending the 30th June 1927, five clear cases in which loans had been given to societies although the overdue loans against them already exceeded their maximum credit limits in the preceding year. The auditor of the Beawar Central Co-operative Bank, in his report for the year ending the 30th June 1923, states that the reason why so many societies had gone into liquidation was that loans had been given to them *over and above their haisiyat*. In his report for 1926-27, the warning is repeated with a special mention of 10 societies which had been advanced loans beyond their maximum credit limits. The auditor of the Nasirabad Central Co-operative Bank, in his report dated the 16th August 1924, mentions as many as 59 societies which had been granted loans in excess of their maximum credit limits. As early as 1923, the auditor of the Ajmer Central Co-operative Bank complained of the inadequacy of recoveries and of the widely prevailing habit among the societies of not repaying according to promises. Right up to the end of 1926-27, the auditor could not find a register giving him precise information as to the extent of overdue loans of the Ajmer Central Co-operative Bank. In his report for the year 1922-23 the auditor of the Beawar Central Co-operative Bank named 60 societies which

had not even paid interest, and as many as 71 societies which had not repaid the principal regularly. The complaint was repeated, in the Audit Report of 1923-24, that quite a large number of societies had not paid their principal and interest and that recoveries made were very small. In the Audit Report of the Beawar Central Bank for 1927, 50 societies are named which had paid nothing towards the principal, and in 1928-29 the auditor continues to give warning that 51 societies had not paid anything towards the principal and that 5 of them had not paid even the interest due by them. The complaints of the auditor are particularly bitter about the balances due from the liquidated societies and as late as the end of the year 1927-28 the amount due from the liquidated societies to the Ajmer Central Co-operative Bank was Rs. 1,55,601. In the case of the Beawar Central Co-operative Bank, the dues from the liquidated societies had been steadily mounting up from Rs. 83,220 in 1922-23 to Rs. 97,478 at the end of 1925-26, and to Rs. 1,34,679 at the end of the year 1928-29. An attempt was made by the central bank to provide funds for wiping out the interest due from these liquidated societies but the provision made fell short of what was required by as much as Rs. 15,642 as late as the end of the year 1928-29.

In Delhi, out of 240 agricultural societies 7 were under liquidation on the 20th February 1927, while 196 showed overdues of interest, only 37 being free from these overdues. Out of 27 non-agricultural societies, 8 showed overdues on the 20th February 1929, while out of the 81 agricultural societies at Ballabgarh, as many as 76 showed overdues on the 28th February 1929.

The actual situation is most likely very much worse than what is disclosed by the amount of these overdues since the overdues are calculated with reference to the *kistbandi* which is revised every year and *not with reference to the promise or stipulations made in the original loan application*.

Since the bulk of the deposits in all the central banks are either for one year, or two years at the most, heavy overdues of the principal and interest for successive years can at any moment become a serious menace to the stability of the movement. The failure of the co-operative central banks to take prompt and sufficient steps for recoveries of

overdues is due to many causes, the most important among them being a widely prevailing misconception as to the rights and duties of the central bank, an exaggerated sense of security based upon a wrong impression as to the implications of unlimited liability of persons whose annual asset is protected by protective legislation like the Punjab Land Alienation Act, a persistent belief that it is the business of the Co-operative Department to recover central bank's dues, the failure to distinguish between long and short term business and the self-deception induced by the fact that all loans given by the central banks are nominally repayable on demand, though they are never intended to be so, or ever treated as such, in actual practice.

115. The evidence of co-operators is practically unanimous to the effect that the representatives of agricultural credit societies on the central bank exercise practically no influence, on the policy or the general working of the central banks, either because of ignorance and incompetence or because of indifference; and it appears that neither the affiliated societies nor their representatives on the central bank realise that by their heavy overdues they are jeopardising the fate of an institution which is mainly owned and controlled by them and which has been established especially to assist them.

116. In spite of a very substantial margin between the lending and the borrowing rate, the annual additions to the reserve, or even the total amount of the reserve, is in some cases far too small as compared with the total amount outstanding. In the case of the Delhi Province Central Co-operative Bank the annual addition to the reserve was only .18 per cent. of the total working capital in 1926, .21 per cent. in 1927 and .28 per cent. in 1928-29. The total amount in the general reserve fund was only .6 per cent. of the total liabilities on the 31st August 1927, .8 per cent. on the 31st August 1928, and 1.4 per cent. on the 31st August 1929. In the Ajmer Central Co-operative Bank there has been all along a margin varying between 3 to 6 per cent. between the borrowing and the lending rate, and yet the annual addition to the reserve works out on an average at about .35 per cent. of the working capital, in spite of

Representation of the agricultural societies on the management of the Central Banks.

Annual additions to the reserve funds of the Central Banks.

the fact that 3 lakhs of it was the owned capital of the central bank.

117. By far the worst feature of the present situation in the organisation of the central co-operative banks in the Centrally Administered Areas is the feeling of irresponsibility among its officials and managing bodies for anything that goes wrong. In theory the Co-operative Department is responsible for nothing except propaganda and audit; in practice it does everything. None of the Secretaries or ex-Secretaries of the central banks who tendered evidence before the Committee seemed to realise that the management of the central bank was entirely responsible for all its internal working, and that while the central bank had no right to dictate to primary societies the amount to be lent to individual members, it was not only within its right to make its own enquiry into the financial status of a society, but that it would be failing in its duty if it did not ask for inspection of any of its affiliated societies whose soundness it had reason to doubt. They all seemed to be labouring under the misapprehension that the Co-operative Department denied the central bank's right to know for what purpose a loan was required by the society, when and in what instalments the borrowing society expected to repay the loans applied for, to refuse a loan for any purpose which appeared to the management to be unsound or objectionable when once the officials of the Co-operative Department had recommended it, to demand full information whether the repayments were made out of earnings or out of fresh loans, or in the last resort to request the Registrar to liquidate any society which seemed to be unable or unwilling to pay its debts to the central bank. How anomalous and dangerously irresponsible a position the central bank actually occupies is clearly brought out in the following extract from the oral examination of the Secretary, Ajmer Central Co-operative Bank :—

“ Q. 1965. *Prof. Chablani*: I first take your answers to the special questionnaire. In granting loans to agricultural societies you state that you take action on the recommendation of the Co-operative Inspectors within the maximum credit limit fixed for each society. In the determination of the maximum credit limit you have no share nor is your approval required?—No.

Q. 1966. In granting loans you have no discretion, nor can you exercise your discretion in refusing or accepting the recommendations of the Co-operative Inspectors?—We have no discretion.

Q. 1967. In the matter of recoveries you state that the recoveries are made by the Inspectors and their staff. Have you any control over the Inspectors or their staff?—No.

Q. 1968. Have you any means of putting any pressure on the societies in the matter of recoveries except through the Inspector or the Registrar of Co-operative Societies?—We write only to the Registrar.

Q. 1969. But you have neither your own staff nor any other means open to you for recovering your own money?—We have got our supervisor for bad and liquidated societies.

Q. 1970. But that is only when a society is reported to be bad or liquidated; ordinarily you have no means of putting any pressure in the matter of recoveries?—No, except to write to the Registrar.

Q. 1971. You also state that so far as the calls for repayment at each crop are concerned, they are prepared by the Inspectors without any reference to you?—Yes.

Q. 1972. You make the allegation that no regard is paid by these Inspectors to the promises made by the societies to the Central Bank at the time of their application?—Yes.

Q. 1973. You state again in replying to question 4 that your bank merely plays the part of a cashier?—Yes.

Q. 1974. I want to ask you in view of what you have told us just now whether the representatives of the rural societies on the directorate take an intelligent interest in the affairs of the bank?—No, because they are illiterate.

Q. 1976. Does the Central Bank really do anything, so far as governing is concerned, except to pay money?—It plays the part of a cashier.

Q. 1977. Is it all the control that the Central Bank exercises over the operations of rural societies?—Yes.

Q. 1978. In the matter of urban societies is your control greater?—Yes, we deal with them direct.

Q. 1979. Without reference to the Inspector or to the Registrar?—Yes.

Q. 1980. You have a voice in the determination of the *Kistbandi* of the non-agricultural credit societies?—Yes.

Q. 1981. In the case of these non-agricultural societies, you have got also a voice in determining what amount of loan you should give?—Yes.

Q. 1982. That voice is not the voice of the representatives of the urban societies on the directorate?—Yes.

Q. 1983. In other words, you are governing non-agricultural societies without giving them any voice in the management of the Central Bank?—There are 8 directors who are urban and 4 who are agricultural.

Q. 1984. Then the position is this, that in the case of agricultural societies whose representatives are on the bank's directorate you have no control, and in the case of non-agricultural societies whose representatives do not sit as representatives you exercise control. So over urban societies you exercise more control than you exercise over the societies whose representatives are on the directorate. Is that the position?—Yes.

Q. 1985. There are several points in Question Nos. 1 and 2 of our special questionnaire to which we have got no answers from you. For instance, you have not said anything about long or short term loans?—I have told you that in granting loans we have no means of knowing whether a loan should be given or not; we have no say in the matter.

Q. 1986. Even in determining the period for which the loan should be granted?—No.

Q. 1987. What proportion of the loans granted to rural credit societies during the last three years was recovered by instalments?—We cannot know.

Q. 1988. You at least know the amount that the Registrar or the Inspector asks for particular societies; and the total number of instalments in which the amount is to be repaid, etc.?—How can we know? We know nothing of these instalments.

Q. 1989. You have nothing to judge by?—No.

Q. 1990. Please state the amounts of outstanding loans of rural credit societies repayable in 1929, 1930, 1931, i.e., in 1928 and after 1928?—We cannot give this information.

Q. 1991. Do you mean to tell me that you do not know what your position will be after five years or so?—We simply advance money to the rural societies up to the maximum credit limit.

Q. 1992. There is nothing in the books of the bank to show what your position will be during the next two or three years?—We have got no such information in the bank.

Q. 1993. You don't know your position as to how much in the normal course of things you expect to get back every year?—There is nothing in our books to give this information.

Q. 1994. You also don't know the purpose for which the loans were granted?—We don't know.

Q. 1995. In submitting the recommendation that a loan should be granted for two or three years and be made repayable by so many instalments, are the reasons on which the recommendation is made stated?—No; only the loan application is sent.

Q. 1996. In answer to Question 3 you have given us the figures of demands and recoveries. By demand you mean the demand as fixed after each crop and not the demand in accordance with their promise in their application?—No; the demand as fixed after the harvest.

Q. 1997. Could you possibly say by these figures as to what the demand would have been if it had been in accordance with the promise?—I cannot say.

Q. 1998. In the application there must have been a promise made?—All promises made in the applications are to make payment on demand.

Q. 1999. Do you ever demand immediate payment?—No.

Q. 2000. What is the object of these being made payable on demand?—The loan application is so worded that payment is to be made on demand.

Q. 2001. It may be worded like that, but does it enable you to demand the money when you want it?—We see the borrower's position. We have never had occasion to demand immediate payment. We grant a loan and expect repayment in three or four years; that is all. Money is always coming in and going out.

Q. 2002. How can you make your calculations unless at the time of granting the loan you know how much money will be actually locked up?—We do not know the number of instalments.

Q. 2003. So that in the absence of such information you cannot possibly lay down a programme for four or five years ahead?—We cannot lay down any programme. We have surplus money in our hands always. We have got about 50 per cent. as our fluid resources.

Q. 2004. If you had a regular programme, you could adjust your receipts and payments. In the absence of any such information, how can you know that so much is due to you on a given date so that you could for instance provide for the repayment of a deposit which matured on that date. You must have some such record?—If the depositors come, we will pay them back their deposits.

Q. 2005. I put it to you that you owe some liability to your depositors. What provision do you make for discharging that liability? I believe that one year deposits constitute more than $\frac{1}{3}$ rd of the total deposits with you?—We have got all the deposits for one year.

Q. 2006. Therefore towards your depositors you have a liability to discharge at the end of one year but the liability of the societies to you is undefined. So you do not know whether, at a time of crisis, you can meet it out of the repayments made to you; you have to rely only upon your resources?—But we have got about 9 lakhs of deposits from outside.

Q. 2007. So far as fresh deposits are received that is alright, but there is a liability on you, and for the discharge of that liability you cannot rely on so much money being repaid to you at the end of the year by the primary societies?—No, Sir. We have got quarterly programme of our deposits.

Q. 2008. It means the same thing as for a year. It means that in January, so much of the deposits are to be repaid, in February so much and so on. You have a liability and unless you adopt the system of terminating a deposit at a particular time the deposits may be repayable at any time of the year, while repayments by societies may not be in January, February, March, etc., etc.?—Repayments are made in May and June and in December and January.

Q. 2009. In the month of May then you expect certain repayments to be made, but you cannot say definitely how much will be actually paid in the absence of anything to show what will be the amount of recovery in the month of May; you have to keep large fluid resources to meet the demand?—Practically we do not pay back our deposits. Our depositors never withdraw their deposits.

Q. 2010. I am not contemplating the time when there is fair weather; you must be prepared for the rainy season and the storm as well. You keep your resources fluid not because of the fair weather, but because there may be bad weather. If you know what will be due to you when the depositor's money has to be paid, the necessity of keeping a larger amount than is necessary to meet your payments will be less, because you will then expect some money to come to you at the time. You should not in your calculations omit your incomings in deciding how much you should keep as your fluid resource. Is that correct?—Yes."

The general tenor of the evidence tendered by the Secretary and the ex-Secretary of the Central Co-operative Bank, Delhi, is almost identical in substance with the above.

118. Has the movement actually reduced the indebtedness of its members? On this vital issue we have had some

Has the movement actually reduced the indebtedness of its members?

interesting material available for Ajmer-Merwara. Mr. Calvert states in the course of his inspection note of 1929 that he made some enquiry in 18

societies with the following results:—

	No. of members.	Cultivated area.	Value.	Floating debt.	Mortgage debt.	Total.	Society's debt.	Total of Cols 5, 6 and 8.
		Bighas.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	643	8,143	2,88,000	1,41,000	80,000	2,21,000	1,62,000	3,83,000
Average per member.	..	12.7	440	220	125	345	253	598

The Registrar of Co-operative Societies, Ajmer, was requested to favour us with a list of the names of the village societies selected by Mr. Calvert for enquiry; but he was unable to trace the necessary papers in his office. Fortunately we have statistics of a more general survey available in the report on the working of co-operative societies for the year 1919. It is stated therein that orders were issued to make a regular survey of the total debts of all the members of co-operative societies, which yielded the following results :—

	No. of members.	Outside mortgage debt.	Outside floating debt.	Total.	Societies' debt.	Total.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Ajmer Circle	7,429	4,05,436	13,14,034 (plus 7,906 maunds of grain).	17,19,470 (plus 7,906 maunds of grain).	10,90,743	28,10,213 (plus 7,906 maunds of grain).
Bewar (Merwara)	2,842	2,27,642	2,97,481	5,25,123	4,58,256	9,83,379
Todgarh	508	68,708	47,151	1,15,859	56,855	1,72,714
TOTAL	10,779	7,01,786	16,58,666 (plus 7,906 maunds of grain).	23,60,452 (plus 7,906 maunds of grain).	16,05,854	39,66,306 (plus 7,906 maunds of grain).

The following table shows the lands of the members under mortgage :—

	No. of members.	Chahi land.	Talabi.	Abi.	Barani.	TOTAL.
		Bighas.	Bighas.	Bighas.	Bighas.	Bighas.
Ajmer	7,429	5,837	1,558	1,301	3,201	16,897
Merwara Bewar	2,842	1,716	1,125	1,357	2,208	6,406
Todgarh	508	500	204	65	521	1,280
TOTAL	10,779	8,053	2,887	2,723	5,930	24,598

It is interesting to compare these figures with the corresponding figures for 1928-29 supplied to the Committee by the Registrar of Co-operative Societies, Ajmer-Merwara, *vide* pages 33-34. The comparison shows that the total debt per member has increased from Rs. 378 to Rs. 524 in the Ajmer Circle, from Rs. 346 to Rs. 397 in the Bewar Circle, and from Rs. 339.9 to Rs. 364 in the

Todgarh Circle. In 1919 the *outside* mortgage debt per member was Rs. 54.5 in the Ajmer Circle, Rs. 80 in the Beawar Circle and Rs. 135.2 in the Todgarh Circle; but in 1928-29 the corresponding figures are Rs. 100.5 in the Ajmer Circle, Rs. 117.4 in the Beawar Circle, and Rs. 171.2 in the Todgarh Circle. The mortgage money per *bigha* has increased from Rs. 23.9 in 1919 to Rs. 33 in 1928-29 in the Ajmer Circle, while in Beawar it has increased from Rs. 35.6 per *bigha* to Rs. 51 per *bigha* in 1928-29, and in Todgarh it has increased from Rs. 53.3 in 1919 to Rs. 60 per *bigha* in 1928-29. In 1919 the outside floating debt per member was Rs. 176.8 in the Ajmer Circle, Rs. 104.6 in the Beawar Circle, and Rs. 92.8 in the Todgarh Circle; but in 1929 this increased to Rs. 227 in the Ajmer Circle, Rs. 129.1 in the Beawar Circle and Rs. 104.6 in the Todgarh Circle. The societies' loans per member show during the same period an increase from Rs. 146.7 per head to Rs. 196.4 in the Ajmer Circle, and a decrease from Rs. 161.2 to Rs. 150.7 in the Beawar Circle and from Rs. 111.9 in 1919 to Rs. 87.8 in the Todgarh Circle. The inference, therefore, is irresistible that during this decade the indebtedness of the members of the co-operative societies has really increased, unless the assumption is made that the co-operative movement has admitted more heavily indebted members into the movement during recent years—an assumption so contrary to the general tenor of every subsequent report on the working of societies in Ajmer-Merwara. The situation is particularly disquieting in the Beawar and Todgarh Circles where the indebtedness to the societies is decreasing while the outside indebtedness is increasing.

Similar statistics are not available for comparison in Delhi; but the Inspector of Co-operative Societies was requested to make a detailed enquiry into 6 out of the 12 villages selected for intensive survey. The general result of the comparison between the indebtedness of the members of co-operative societies at the time when they joined the societies and their present indebtedness is summarised in a tabular statement given below :—

Co-operative Societies, Delhi Province.

Serial No.	Name of Society.	NUMBER OF MEMBERS.		INCREASED DEBT.				DECREASED DEBT.			
		Free of debt at the time of admission.	Free now.	NUMBER OF MEMBERS WHO HAVE INCREASED THEIR DEBT.			Percentage of increase.	NUMBER OF MEMBERS WHO HAVE DECREASED THEIR DEBT.			Percentage of decrease.
				No.	Their debt at the time of admission.	Their debt now.		No.	Their debt at the time of admission.	Their debt now.	
					Rs.	Rs.			Rs.	Rs.	
1	Masjid Moth	20	1	88	5,800	26,040	74.5	12	11,250	6,809	23.5
2	Shahpur Jat	8	1	28	17,760	85,624	78.6	10	7,020	5,268	20.8
8	Jonapur	4	..	24	8,955	11,807	89.8	8	2,800	1,085	11.1
4	Rajpur Khurd	10	..	18	1,400	5,126	92.6	1	400	821	7.1
5	Silampur	10	..	16	2,600	7,708	100	..	..	..	..
6	Nangloi Sayyad	1	..	28	14,475	27,795	92	2	1,200	881	8
	TOTAL .	48	2	142	45,400	1,14,095	88	28	22,670	13,818	16.8

N.B.—One member of Masjid Moth Society had neither any debt at the time of admission nor has he at present.

These figures raise a presumption that the situation in Delhi is not materially different from that in Ajmer-Merwara and that the co-operative movement has in no way reduced the indebtedness of its members.

CHAPTER XIII.

RECOMMENDATIONS REGARDING CO-OPERATIVE MOVEMENT
IN RURAL AREAS.

119. The preceding review of the 'co-operative movement in the Centrally Administered Areas makes it plain that except in the North-West Frontier Province what is urgently needed is not so much expansion of the movement as consolidation of the ground already covered. The Registrar of Co-operative Societies, Ajmer-Merwara, stated in his evidence that it was excessive financing of the members and societies that demanded special attention at the present stage, and the secretaries of the Ajmer Central Co-operative Bank and the Delhi Central Co-operative Bank both admitted that the credit limits of the societies had already been reached and that the central banks had more funds than could safely and profitably be employed in financing the movement in these provinces at present. And yet side by side with this phenomenon of surplus funds, not only the indebtedness of the co-operative members continues to increase but their dependence on *outside* financing agencies for the satisfaction of their economic needs shows no signs of being eliminated in the near future. The mechanical progress of the movement is clearly far ahead of the spread of co-operative education among the members and societies in the rural areas. We are, therefore, of opinion that it is necessary to increase the strength of the co-operative staff in order to attend to the vital need of inculcating co-operative principles among the members, and that while the formation of new societies in the rural areas of Ajmer-Merwara and Delhi should not cease altogether—in fact some of us would like to see a co-operative society established in each and every village—the efforts of all workers in the co-operative movement, officials as well as non-officials, should, for some years to come, be particularly directed to the rectification and consolidation of the existing co-operative credit societies and the improvement in the economic position of the individual members.

We hope that, with improvement in the quality of both members and societies, the surplus funds in the central

banks will tend to disappear; but should this for any reason be delayed, we see no justification for the central banks to accept more deposits than they can profitably employ in the movement within their respective provinces and thus to divert funds to other provinces or to invest them in Government securities beyond what is necessary for fluid resources. We are convinced that there is ample scope for employing urban savings in the financing of urban trade and industry or in increasing credit facilities for the poorer sections of the urban communities in the cities of Delhi and Ajmer-Merwara.

These recommendations cannot, for obvious reasons, apply to the North-West Frontier Province where the movement in the rural areas is yet in its infancy and needs expansion, but we trust that the co-operative workers in that province will, while spreading the co-operative movement, pay due regard to the lessons to be drawn from the experience of Delhi and Ajmer-Merwara.

120. In a previous chapter we have already called attention to the dangerously irresponsible position taken up by the central banks in Delhi and Ajmer-Merwara. If the movement is to be a living force, guided and controlled by non-officials, this state of affairs must clearly cease. It is a serious matter that the secretaries of central banks who have managed them for 10 to 20 years should be labouring under the misapprehension that the central banks possess no power of initiative in regard to their own financial operations and are merely institutions for registering the decrees of the Co-operative Department. We are, therefore, of opinion that a central bank's right to inspect its affiliated societies in the interest of its own financial safety and soundness should be clearly and unambiguously acknowledged by the Department. In view of the fact that the supervisors in the Centrally Administered Areas are virtually under the control of the Department and not under that of an independent union or federation of societies, and that these central banks are not so much balancing centres and clearing houses for affiliated societies as financing institutions which command funds, not because of the standing of the affiliated societies in the market but because of their own reputation for good management and safe business, we are inclined to go further and hold that a central

Irresponsibility of Co-operative Central Banks.

bank, in these peculiar circumstances, is fully justified in claiming an ultimate and residual power to safeguard its financial interests in every possible way and appoint independent supervisors, if in the interests of its own safety or the financial soundness of the movement, it considers it necessary to do so. This undoubtedly means expense; but it is the business of a central bank to consider whether the gain is worth the cost. The only alternative to this is control by a living federation of societies and not control by Government officials in financial matters. Till a really living and independent federation becomes possible in these Areas, the central banks should not be allowed to evade their responsibility for good management of their finances by advancing the specious plea that they do everything according to the recommendations of the departmental officials and that their responsibility ceases as soon as they have obeyed what they consider to be virtually orders of the Co-operative Department.

We fully recognise that it will be impossible for a central bank to discharge its legitimate functions independently of the Co-operative Department without a considerable improvement in its management. To stimulate greater interest and greater sense of responsibility in societies affiliated to the central bank we consider it advisable to disqualify from voting at general meetings the representatives of societies which are in default of the instalments due to the central bank; and in order to strengthen the non-official trained element on the management, we recommend further that central banks should be allowed to co-opt to the board of management, whenever they consider it necessary, at least two non-official members who have special knowledge of co-operation or banking, such co-opted members having no right to vote. Our colleague Lala Bal Kishen objects to admitting outsiders as co-opted members.

121. We have already drawn attention to the disappointing recoveries made by the central banks in Delhi and Ajmer-Merwara and the growing serious position regarding overdue loans in these provinces. Much of the confusion is, in our opinion, due to the failure to distinguish between short period, intermediate and long period loans. We, therefore, endorse the recommendation of the Madras and the Central

Recoveries.

Provinces Committees on Co-operation that a clear distinction should be made between crop loans repayable in whole out of the following harvest unless crops fail and long term loans repayable in instalments over a period of years out of the annual savings of the borrowers, and suggest that with a view to enforce the recognition of this distinction separate application forms and separate promissory notes be insisted upon both in the primary societies and central banks, and the central banks be required to keep separate ledgers and make separate entries for each in their balance sheets. Apart from affording a proper check on overdues, this will, we expect, have far-reaching effects on co-operative finance, inasmuch as it would facilitate the creation of short period agricultural paper for discount by indigenous bankers and joint stock banks and for rediscount by a central Reserve Bank, when it is established. It would link co-operative banks with the general system of banking in the country, and place at the disposal of the co-operative movement ample funds at cheap rates for financing crop production during the season which, though a busy one for agricultural production, is a slack one generally for trade and industry in the country.

We recommend further that loans, which are overdue as compared with the promises made in the pro-notes or in the applications for loans by the primary societies or statements made in the resolutions passed by primary societies at the time of making an application for loans, should be transferred to a separate ledger, and that the affiliated societies should be required to submit to their central bank reports on these overdues two months before each harvest.

We consider it only proper that the resolution of each affiliated society, stating that the loan for which it has submitted an application to the central bank will be paid back within a specified number of years, should always be communicated to the central bank so as to enable it to make an estimate, which may be subsequently revised at each harvest, of the amount of outstanding loans repayable to it in each year.

In order to stimulate efforts to improve the quality of societies, particularly in the matter of recoveries and overdues, it would in our opinion be worth while for the central banks to discriminate in favour of societies of better quality in the matter of interest charges. This is already

done to some extent in Ajmer-Merwara and Delhi, and we recommend that the system should be extended further.

122. In the case of primary agricultural credit societies, part of the trouble seems to arise from inadequate appreciation of what a co-operative credit society can do and what it cannot possibly hope to achieve. Under the existing methods of farming and general

Inadequate appreciation of what co-operative credit can achieve.

conditions affecting agricultural production it is not possible for a co-operative credit society, however sound it may be, to save from involvency those whose average annual income, during a cycle of good and bad years, is less than the total of the average necessary annual expenditure, interest on debt, estimated at the lending rate of co-operative societies, and a reasonable annual contribution towards repayment of debt, say in 20 to 30 years. It is essential, therefore, for the success of the co-operative credit movement that care should be taken by primary societies to make intensive enquiries into the whole economic position of the applicants for admission, and exclude persons who cannot repay their debts out of the proceeds of their crops in the case of short term loans, and out of their savings in the case of long term loans, or who cannot be made solvent by lowering the rate of interest or decreasing their unnecessary expenditure or by improving their character by mutual control. In the case of an ordinary commercial bank it is the assets or the property, rather than the surplus income, that is the basis of credit, as an ordinary commercial bank does not care whether the borrower is obliged to sell his assets in order to repay his loan; but in the case of a co-operative credit society it is the surplus income rather than the assets that should form the basis of the borrower's credit. for a co-operative credit society fails in its purpose if the borrower is obliged to sell his assets in order to repay his loan. It should, therefore, be obligatory on co-operative credit societies to make a thorough investigation into the economic position of its borrowing members.

123. Since the deposits both in the primary societies and their financing institutions are generally for short periods of time, it is desirable to restrict the scope of the ordinary credit society mainly to short term credit which may include crop loans as well as loans given for not more than 2 or 3

Periods of loans.

years in special cases. Statistics relating to the amounts borrowed for various purposes from the co-operative credit societies show that short term credit, intermediate loans or long period loans are all mixed up together, making it impossible for a society to adopt a strict policy of recovery of its loans to members. Long term loans can be given safely and freely out of only long period deposits, and we have therefore recommended elsewhere the institution of separate land mortgage banks for long term credit. If this recommendation is accepted, we are of opinion that the agricultural co-operative credit societies should not admit to membership any one whose previous debts and encumbrances will require more than 6 years to be discharged, unless he enrolls himself as a member of a land mortgage bank. Our colleague Lala Bal Kishen dissents from this on the ground that it would restrict unduly the discretion of the borrower. It will obviously be advisable to arrange for constant consultation between the land mortgage bank and the village co-operative agricultural credit society, for although technically loans are advanced by the co-operative institutions on personal security improved by mutual control and joint liability, it would be risky to reduce the security represented by the general assets of the borrower which consists largely of his land, by allowing an agriculturist to borrow from both the primary agricultural credit society and the land mortgage bank without each other's knowledge.

124. Far too large a proportion of the members of co-operative credit societies have at present previous debts and encumbrances, with the result that quite a considerable portion of the funds of the co-operative credit societies are practically locked up for years. A large number of such heavily indebted persons has a tendency to produce a demoralising effect on the society as a whole and to turn it into a mutually obliging society for extending the period of repayments. We, therefore, consider that in the present stage of the co-operative movement it is desirable that an appreciable number of members should be free from previous debts and encumbrances and that the co-operative credit societies should limit their credit facilities mainly to requirements for crop purposes and short term loans for tiding over occasional periods of scarcity or famine. So long, however, as land mortgage banks are not started,

Conditions for admission to a co-operative society.

it will not be possible to give effect to this recommendation, and during the transitional period we suggest that persons encumbered with previous debts may be admitted as members of co-operative societies on probation for three years subject to the following conditions :—

- (a) that the probationer member shall not borrow from any outside agency or create any encumbrances upon his property without the previous consent of the society;
- (b) that he shall repay towards his previous debt and interest charges, a sum which the society considers reasonable at each harvest;
- (c) that in case he gives necessary sureties or adequate security by way of mortgage of his property in favour of the society, the society shall assist him in reducing his previous debt to outside creditors by advancing him twice the amount he himself contributes at each harvest, provided that he makes no default either in payment of interest due to the society or in repaying any crop loans advanced by the society.

We consider it essential for the success of any scheme of debt redemption by co-operative credit societies or land mortgage banks, especially in view of the unfortunate experience of the results of debt redemption by co-operative credit societies in Ajmer-Merwara, that—

- (a) legal power be given to them to apply to the Collector for the issue of a proclamation calling upon all creditors of their clients to disclose their loans within a reasonable time-limit, failing which no court of law should give priority to undisclosed debts in any proceedings relating to the execution of decrees, and in case a debtor member challenges the correctness of the claims put in, to call upon the creditors through the Collector to prove their claims in a court of law within a time-limit fixed by the Collector;
- (b) the existing law should be amended so as to give the co-operative credit societies and land mortgage

banks the benefit of provisions embodied in the Encumbered Estates Acts, under which any *future* loans taken by their clients from outside creditors should not be admissible in law courts so long as any amount advanced by them remains unpaid;

- (c) subsequent loans made by Government under the provisions of the Land Improvement Loans Act and the Agriculturists Loans Act should not take priority over *earlier* long period loans given by a co-operative credit society or by a land mortgage bank and that such amendments of law as are necessary for securing this object should be made at an early date;
- (d) in all cases of default in the payment of instalments on account of a mortgage loan, the land mortgage banks and the co-operative credit societies should have the power of selling, without resort to a court, through an executive officer authorised in this behalf by the Local Government, after giving the defaulter 3 months' notice to pay the instalment; and that
- (e) the Land Alienation Act and all rules and regulations under it should be modified so as to include co-operative credit societies and recognised land mortgage banks in the definition of " agriculturist " so far as the sale and transfer of land are concerned, and place them under the same restriction in respect of their power to sell land as are imposed on the agriculturist by the Land Alienation Act, provided that the co-operative credit societies or the land mortgage banks shall not be at liberty to hold possession of the land for more than 3 years without selling it. Mr. Chablani dissents from the proviso to this recommendation on the ground that it will prevent experiments in co-operative farming, which, in his opinion, should be encouraged by all possible means in view of the very small and scattered holdings in a large part of the Centrally Administered Areas.

125. We think that a determined effort ought to be made to draw into the co-operative movement the savings and capital of the *mahajans* and the agriculturist money-lenders at rates of interest not exceeding those at which primary co-operative societies borrow from the central banks at present, and to include in the agricultural co-operative credit societies some members with settled habits of thrift and business-like instincts. We would, therefore, suggest that the bye-laws of the societies be amended so as to permit admission of a special class of members,—

Co-operative movement should attract savings and capital of *mahajans* and agriculturist money-lenders.

- (a) who will assume a liability limited to their share capital and will borrow less from the society than their deposits therein and buy a prescribed minimum number of shares on which no dividend shall be paid;
- (b) whose deposits shall have the same claims on the assets of the societies as a deposit by a non-member and be considered in every respect as a debt owed by the society; and
- (c) who should agree not to lend money directly to any fellow member of their co-operative credit society.

Our colleague Lala Bal Kishen suggests that the liability of such members should be the same as that of the other members of the society.

We expect that if the policy we recommend is accepted, it would not only improve the organisation of the societies, but also bring honest borrowers and honest investors in the rural areas more closely together than is the case at present and rid the co-operative movement of the suspicion that it seeks to promote conflict between borrowers and investors.

126. In a preceding chapter we have already drawn attention to the large portion of rural savings which is invested in uneconomic forms and the small amount of the members' deposits in the agricultural co-operative credit societies. We consider that co-operative institutions are the best agency for eradicating this evil by persuasion and propaganda. We, therefore, re-

Agricultural credit societies should attract a large portion of rural savings.

commend that (i) in years when the village crops are above 8 annas in the rupee, village co-operative societies should be persuaded to make a special effort under proper safeguards imposed by the Co-operative Department to attract deposits from members, preferably for periods longer than 1 year, by offering interest rates even up to their borrowing rate from the central bank; and that (ii) borrowers from the co-operative societies should be induced by their *panchayats* to entrust to them their gold and silver ornaments (except a gradually decreasing minimum amount fixed by the *panchayat* from time to time) for sale and deposit in the central co-operative bank in the name of a woman of the family, on which the central bank should give compound interest at half per cent. less than the rate charged to the society by the central bank, the whole principal and interest being returnable in cash or gold at the option of the depositors when the borrower has discharged his debt to the co-operative society. The existing law should be amended so as to make it clear that the amounts so invested shall be treated in all legal proceedings as ornaments on the person of a woman. Our colleague Lala Bal Kishen dissents from this as he considers it neither practicable nor likely to be popular.

CHAPTER XIV.

CREDIT FOR RURAL INDUSTRIES.

127. The majority of the agriculturists in these areas have uneconomic holdings and cannot make the two ends meet without borrowing or supplementing their income from other sources if they stick to the land. The census figures of 1921 show that out of the total agricultural population only 13·3 per cent. of the actual workers in the North-West Frontier Province, 11·9 per cent. in Delhi and 10·1 per cent. in Ajmer-Merwara had subsidiary occupations; and that only 2·1 per cent. in the North-West Frontier Province, 1·6 per cent. in Delhi and 3·3 per cent. in Ajmer-Merwara had industry as their subsidiary source of income. The table given below shows the number of agriculturists engaged in different industries according to the census figures of 1921 :—

Statement showing the number of agriculturists and non-agriculturists engaged in industries.

Industry.	NORTH-WEST FRONTIER PROVINCE.		DELHI.		AJMER-MERWARA.		
	Non-agricultural workers.	Agricultural workers.	Non-agricultural workers.	Agricultural workers.	Non-agricultural workers.	Agricultural workers.	
Textiles	19,522	1,545	4,740	133	8,336	971	Cotton ginning, spinning, sizing, weaving, dyeing, painting, etc.
Hides and skins	1,307	57	2,664	30	2,408	605	Tanners, makers of leather articles, etc.
Wood works	14,049	1,389	3,057	54	2,295	616	Carpenters, joiners, basket makers, etc.
Metal works	10,443	1,443	3,415	76	2,140	186	Makers of implements and workers in brass, copper and bell metals.
Ceramics	7,412	642	5,214	32	2,935	739	Potters, brick and tile-makers, etc.
Chemical products	3,190	469	1,690	3	751	229	Manufacturers and refiners of oil, aerated water and ice-makers, etc.
Food industries	11,007	532	2,258	21	1,808	23	Rice-pounders, sweet-meat makers, bakers and biscuit makers, etc.
Dress and toilet	31,305	2,786	13,509	202	8,500	1,141	Tailors, boot and shoe-makers, washermen, barbers, etc.
Building industries	3,454	255	8,768	6	2,986	50	Builders, brick-layers, etc.
Miscellaneous	11,637	881	12,022	113	6,452	165	Printers, gold and silver-smiths, makers of bangles, sweepers, scavengers, etc.

Intensive enquiries, however, suggest that the census figures give a misleading impression of the real dependence of the rural population on sources of livelihood, other than the cultivation of agricultural crops. The figures given below clearly show that in the majority of villages selected for intensive enquiries agricultural crops are not the main source of the net earnings of the rural population :—

DELHI.

Agricultural crops are not the main source of the net income of the rural population.

Serial No.	Villages.	Net income from all sources.	Net income from cultivation of agricultural crops, i.e., gross income minus land revenue, rent and cost of cultivation.		Percentage of Column 3 to Column 2.
			Rs.	Rs.	
1.	Jhangola . . .	6,877	925		13.4
2.	Akbarpura Majra .	33,227	207		.6
3.	Mohammadpur Majri .	28,868	4,765		16.5
4.	Nangloi Sayyad .	8,880	5,096		57.3
5.	Deorala . . .	*6,867	*6,667		97.9*
6.	Jafurpur Kalan .	18,706	15,901		85.0
7.	Nangli Sakraveti .	*18,938	*16,508		87.4*
8.	Rajpur Khurd . .	23,986	7,202		30.0
9.	Jonapur . . .	17,002	6,455		39.1
10.	Shahpur Jat . . .	*1,13,478	*74,268		65.5*
11.	Masjid Moth . . .	39,799	6,816		18.8
12.	Hauz Rani . . .	7	-15,417		...
13.	Dalupura . . .	16,743	1,170		6.9
14.	Silampur . . .	41,300	-13,297		...
	TOTAL .	3,74,678	1,17,266		31.3

* Normal years have been taken, as the current year (1929-30) was not normal.

AJMER-MERWARA.

Agricultural crops are not the main source of the net income of the rural population.

Villages.	Net income	Net income from cultivation	Percentage of
	from all sources.	of land (crops), i.e., gross income minus land revenue, rent and cost of cultivation.	
	Rs.	Rs.	Column 3 to Column 2.
1. Rupnagar	36,376	4,925	13.6
2. Lavera	26,877	10,075	37.4
3. Balad	15,457	324	2.1
4. Bar	14,783	4,895	33.1
5. Rajiawas	39,612	11,556	29.2
6. Chat	8,753	3,798	43.4
7. Nayran	46,581	25,883	55.5
8. Bagar	33,414	12,140	36.3
9. Sarana	22,048	16,873	76.5
10. Danseryan	15,964	4,418	27.7
11. Makrera	52,764	10,891	20.6
12. Baghana	29,422	11,629	39.5
13. Rawatmal	30,476	3,815	12.5
14. Jaswantpura	8,308	5,210	62.7
15. Sanadh	63,656	34,521	54.2
16. Banjari	44,274	10,657	24.0
17. Bhagwanpura	14,719	6,066	41.2
18. Galti	14,091	2,490	17.2
19. Sarmalian	21,582	10,822	50.1
20. Kakri	3,43,540	62,959	18.3
TOTAL	8,82,697	2,53,947	28.7

NORTH-WEST FRONTIER PROVINCE.

Agricultural crops are not the main source of the net income of the rural population.

Serial No.	Villages.*	Net income	Net income from cultivation	Percentage of
		from all sources.	of land (crops), i.e., gross income minus land revenue, rent and cost of cultivation.	
		Rs.	Rs.	Column 3 to Column 2.
1. Shabqadar		2,59,496	1,59,503	61.1
2. Lachi		65,447	3,212	4.7
3. Hangoo		2,17,884	26,909	12.3
4. Billitang		60,308	24,484	40.5
5. Dhamtaur		1,43,729	52,930	36.8
6. Kotnajibulla		1,41,897	27,133	19.1
7. Punodheri		30,052	26,528	88.28
8. Ghoriwalla		2,32,802	1,45,042	62.3
9. Potah		1,40,680	72,069	51.4
10. Maddi		2,51,750	98,768	39.2
11. Gul Imam		2,11,159	1,74,503	82.6
TOTAL		17,55,204	8,11,171	46.2

* On account of the delay in receiving the results of extensive surveys, the corresponding figures for the remaining 5 villages could not be analysed in time.

Plainly the hope of the rural areas lies only in the development of the existing supplementary sources of income or finding out new avenues of profitable employment either in substitution of, or in addition to, agricultural crops.

128. Of the industries allied to agriculture, suggested to us as capable of development, the most important are the production of *gur*, fruit-growing, making of mats and ropes of the *mazari* (palm), and dairy produce, particularly *ghee* in the North-West Frontier Province; *gur* production, fruit-growing vegetable and flower gardening and dairy farming in the Delhi Province; and dairy produce, wool growing, collection of fire wood from forests in Ajmer-Merwara. Among the industries not allied to agriculture are cotton ginning, hand-spinning, and weaving in the Delhi Province; weaving, making of woollen blankets and manufacture of *lungis*, *kullas* and *niwar*, tapes, oils, soaps, glass vessels, imitation laces, gold and silver embroidery in the North-West Frontier Province; and wool cleaning in Ajmer-Merwara. We have had no expert evidence as to how far these industries are capable of development and whether any of them are suffering from want of capital. The general trend of the evidence has created on our mind the impression that difficulties are more largely of want of organisation than want of capital. But it is probable that in the initial stages some amount of financial assistance by the state will be necessary to induce the enterpriser to appear in the field earlier than he would otherwise do. We recommend therefore that the possibilities of developing these industries be explored by the Board of Economic Development which we have recommended, that Government should grant free of charge on favourable terms the services of government officials or experts for starting or advising such industries as is done under the Central Provinces Industries Act, and that the necessary credit facilities be provided by the Co-operative Department supplemented by financial aid from Government on terms similar to those adopted under the Madras State Aid to Industries Act.

CHAPTER XV.

MARKETING.

129. It is difficult to give any precise meaning to the word 'marketing' so as to distinguish it from internal trade; but a rough and ready distinction may well be made between the stage when the produce leaves the hands of the agriculturist producer and the stage when it comes into the possession of merchants. We propose to deal with only the first stage in this chapter and reserve our treatment of the second stage for the next chapter on internal trade.

Bulk of the produce grown in the Centrally Administered Areas consists of food grains.

The table given on page 22 of chapter II clearly shows that the bulk of the produce grown in the Centrally Administered Areas consists of food grains. The total yield of these in 1928-29 was 133 lakhs maunds in the North-West Frontier Province, and 15 lakhs maunds in each of the provinces of Delhi and Ajmer-Merwara. Local enquiries suggest that the consumption of food grains per adult is about 1 seer per day and that of a child a little more than half a seer. Investigations in Danta, a village about 8 miles distant from Ajmer, conducted by the Commissioner of Ajmer-Merwara in the year 1926 confirms this estimate. On this basis the total consumption of food grains works out to 143 lakhs for the North-West Frontier Province, 32 lakhs for the Province of Delhi and 33 lakhs for the Province of Ajmer-Merwara, thus indicating an annual deficit of 10 lakhs maunds in the North-West Frontier Province, 17 lakhs in Delhi and 18 lakhs in the Province of Ajmer-Merwara, to be made good by imports from outside. In 1879, the district authorities in the North-West Frontier Province, however, submitted to the Famine Com-

mission of the year, the following scale of consumption of food grains in that province:—

Members of families.	Name of grain.	Seers at 80 tolas.
<i>Agricultural class.</i>		
Old man	Wheat	100
	Bajra, moth, maize, barley and gram.	150
Zamindar and wife	Wheat	250
	Other grains	500
Two children	Wheat	100
	Other grains	260
TOTAL ANNUAL CONSUMPTION.		1,360
<i>Non-agricultural classes.</i>		
Old man	Wheat	150*
	Other grains	90
Man and wife	Wheat	300
	Other grains	300
Two children	Wheat	165
	Other grains	150
TOTAL ANNUAL CONSUMPTION.		1,155

*The above is on the supposition that the year is an average one and that other articles of diet, such as grease, onions, melons, and even meat are eaten at times.

Adopting the above figures as a basis, the total consumption would be reduced roughly by about $\frac{1}{3}$ th and the deficit of 10 lakhs for the North-West Frontier Province would be turned into a surplus of 19 lakhs, and the deficits for Delhi and Ajmer-Merwara reduced to 11 and 12 lakhs respectively. It may, therefore, be safely presumed that only a small portion of the grain produce in these Areas is exported.

2. For the purpose of this chapter, however, what concerns us is not what goes outside these provinces but what the agriculturist producer offers for sale in the markets. Enquiries in some of the villages selected for intensive survey in the Delhi Province give the following figures of the quantity of grain kept at home by the growers and the quantity of grain sold by them :—

Names of villages.	Grain produce.	Grain kept at home.
	Maunds.	Maunds.
1. Jhangola—		
1928-29	1,474	315
1923-25	330	...
2. Akbarpur Majra	1,346	1,062
3. Mohammadpur Majri	5,348	3,344
4. Nangloi Sayyad	1,710	904
5. Deorala—		
1926-27*	1,900	740
1928-29	237	237
6. Jafarpur Kalan	6,738	2,951
7. Nangli Sakravti—		
1927-28*	4,800	1,996
1928-29	1,164	1,075
8. Rajpur Khurd	3,814	3,192
9. Jonapur	7,431	2,274
10. Shahpur Jat—		
1924-25*	11,594	10,019
1928-29	2,897	250
11. Masjid Moth	1,272	1,120
12. Dalupura	2,906	1,136
13. Silampur	2,341	2,336
TOTAL	43,976	22,377

Percentage of grain kept at home to the grain produced 50·7 per cent.

Personal enquiries by members of the Committee in the village of Shahabad Daulatpur show that in addition to the amount kept for consumption at home, about 4·5 per cent.

* Years for which these figures are taken are normal years.

of the total grain produced is given as wages to *Kamins*. We are, therefore, justified in assuming that the agriculturist producer in the Delhi Province does not on an average dispose of more than 45 per cent. of the total grain produced, the rest being kept for his own use or for paying the farm servants and field labourers as wages in kind. Of this, a portion is given to the village money-lenders in repayment of loans in kind, and the balance is sold partly to the village dealers, partly to agents of outside dealers who visit villages during the marketing season, partly to dealers in mofussil *mandis* and partly to merchants in the city *mandis*. It may also be safely assumed that the village dealer or money-lender retains a considerable portion of what he purchases in the village for retail sale in the village itself. We have no reliable data for determining the exact proportion of the food produce that is disposed of in each of the ways enumerated above; but, deducting 4.5 per cent. of the total produce given to *kamins*, the total requirements of food grains by the non-producing rural population of the Delhi Province, on the scale already mentioned, work out to 3,22,020 maunds a year. The total food consumption of proprietors and cultivators is estimated at 8,21,250 maunds, and if they have kept at home only 50 per cent. of the produce as is suggested by the results of intensive surveys, they will have to buy 59,250 maunds from the village dealers in order to meet their food requirements. Thus the total stock which *mahajans* must keep for village consumption in Delhi amounts to 3,81,270 maunds or about 25 per cent. of the total food production of the Province. Adding to this 50 per cent. kept by the agriculturist producer for home consumption, and 4.5 per cent. given to *kamins*; this makes a total of 79.5 per cent., leaving only 20.5 per cent. of the total production for sale outside the villages. Transactions in the villages are mostly on the basis of barter or on credit, and very little cash is really required for settling them. The total value of food grains of the Province of Delhi has already been estimated at 68.58 lakhs but the prices taken in valuing these food grains are city prices which are often slightly higher than the prices in the mofussil *mandis*. But making no allowance for this difference in prices, the total amount required to move the portion of grain crops brought for sale to the *mandis* in the Province of Delhi cannot exceed 20.5 per cent. of the total value of food grains, that is Rs. 14.05

lakhs. The detailed calculations are set out in the following table:—

Delhi Province.

I	Number.	Average size of the family.	No. of families.	Consumption per family of 1 male and 1 female, 2.5 children at 1 seer per adult and $\frac{1}{2}$ seer per child.	Total annual consumption in maunds— (a) at 3.25 seers per family per day, (b) at 2.60 seers per family per day.
				Seers.	
1. Total population .	488,188	4.5	108,486	3.25	(a) 3,217,110 (b) 2,573,688
2. Rural population .	183,768	4.5	40,837	3.25	(a) 1,211,850 (b) 968,856
3. Proprietors and Cultivators.	123,250	4.5	27,390	3.25	(a) 521,250 (b) 657,000

II. Total food grain produced (in maunds) in 1927-28.	PERCENTAGE OF THE TOTAL GRAIN PRODUCE.		
	The consumption of total population.	The consumption of rural population.	The consumption of proprietors and cultivators.
1,524,000	(a) 211.1 (b) 168.9	(a) 79.5 (b) 63.6	(a) 53.9 (b) 43.1

- III. Total supply of food grains required for sale to villages is=381,270 maunds.
- (A) The amount required for sale to non-producing classes=322,020 maunds.
- (1) 12 months' supply for the rural population=1,211,850 maunds.
- (2) 12 months' supply for the proprietors and cultivators =821,250 maunds.
- (3) The amount given to *kamias* (4.5 per cent. of the total food production)=68,580 maunds.
- (4) The quantity which has to be purchased by non-producing population=322,020 maunds.
- (B) The total consumption of proprietors and cultivators *minus* the amount kept at home=59,250 maunds.
- Total of A and B=the amount to be kept by the village dealers for village consumption=381,270 maunds.
- Percentage of the food grains kept by the village dealers to the total food grains produced=25.0 per cent.
- IV. (A) The total percentage not marketed outside the villages=50 per cent. (kept at home)+4.5 (given to *kamias*) +25 per cent. (kept by village dealers for village needs)=79.5 per cent.
- (B) The percentage offered for sale in *mandis*=20.5 per cent.
- (C) The total value of (B)=14.05 lakhs.

Similar enquiries in 3 of the selected villages in Ajmer-Merwara indicate that about 40 per cent. of the total production of food grains is retained by the agriculturists for consumption at home. Assuming the same proportion for payment of wages in kind as in Delhi, this will indicate

that roughly about 55 per cent. of the production of food grains is marketed by the agriculturists. Calculations similar to those made for Delhi yield the following results:—

Ajmer-Merwara.

I	Number.	Average size of the family.	No. of families.	Consumption per family of 1 male and 1 female, 2-22 children at 1 seer per adult and $\frac{1}{2}$ seer per child.	Total annual consumption in maunds— (a) at 3-11 seers per family per day. (b) at 2-488 seers per family per day.
				Seers.	
1. Total population	495,271	4-22	117,363	3-11	(a) 3,330,625 (b) 2,664,500
2. Rural population	330,574	4-22	78,385	3-11	(a) 2,222,850 (b) 1,778,280
3. Proprietors and Cultivators.	143,106	4-22	33,911	3-11	(a) 962,140 (b) 769,732

II. Total food grain produced (in maunds) in 1927-28.	PERCENTAGE OF THE TOTAL FOOD GRAIN PRODUCE.		
	The consumption of total population.	The consumption of rural population.	The consumption of proprietors and cultivators.
1,497,000	(a) 222-5 (b) 178-0	(a) 148-5 (b) 118-8	(a) 64-3 (b) 51-4

III. Total supply of food grains required for sale for village needs = 1,556,685 maunds.

(A) The amount for sale to non-producing classes = 1,193,345 maunds.

(1) 12 months' supply for rural population = 2,222,850 maunds.

(2) 12 months' supply for proprietors and cultivators = 962,140 maunds.

(3) The amount given to *kasnis* (4-5 per cent. of the total food grain produce) = 67,365 maunds.

(4) The quantity which has to be purchased by non-producing population = 1,193,345 maunds.

(B) The total consumption of proprietors and cultivators *minus* the total kept at home = 363,340 maunds.

Total A and B = the amount to be kept by the village dealers for village consumption = 1,556,685 maunds.

Percentage of the food grain kept by the village dealers to the total food grain produced = 103-9 per cent.

IV. (A) The total percentage not marketed outside the villages = 50 per cent. (kept at home) + 4-5 per cent. (given to *kasnis*) + 103-9 per cent. (kept by village dealers for village needs) = 148-4 per cent.

(B) The percentage bought in *mandis* = 48-4 per cent.

(C) The total value of (B) = 32-51 lakhs.

For the North-West Frontier Province, no data is available for making estimates similar to those for Delhi and Ajmer-Merwara, as the persons to whom the intensive enquiries for selected villages were entrusted have thrown

no light on this point; but assuming the same proportions as in Delhi the detailed estimates are set out below :—

North-West Frontier Province.

I	Number.	Average size of the family..	No. of families.	Consumption per family of 1 male and 1 female, 3-1 children at 1 seer per adult and $\frac{1}{2}$ seer per child.	Total annual consumption in maunds— (a) at 3-55 seers per family per day, (b) at 2 84 seers per family per day.
				Seers.	
1. Total population	2,251,340	5-1	441,439	3-55	(a) 14,299,970 (b) 11,439,976
2. Total rural population.	1,915,491	5-1	375,586	3-55	(a) 12,166,545 (b) 9,733,236
3. Proprietors and cultivators.	1,473,128	5-1	288,848	3-55	(a) 9,356,775 (b) 7,485,420
PERCENTAGE OF THE TOTAL FOOD GRAIN PRODUCE.					
II. Total food grain produce (in maunds) in 1927-28.	The consumption of total population.		The consumption of rural population.		The consumption of proprietors and cultivators.
13,312,000	(a) 107-5 (b) 86-0	(a) 91-4 (b) 73-1	(a) 72-9 (b) 58-3		

- III. Total supply of food grains required for sale for village needs = 4,911,485 maunds.
- (A) The amount for sale to non-producing classes = 2,210,730 maunds.
- (1) 12 months' supply for rural population = 12,166,545 maunds.
- (2) 12 months' supply for the proprietors and cultivators = 9,356,775 maunds.
- (3) The amount given to *kamins* (4-5 per cent. of the total food grain produce) = 599,040 maunds.
- (4) The quantity which has to be purchased by non-producing population = 2,210,730 maunds.
- (B) The total consumption of proprietors and cultivators *minus* the total kept at home = 2,700,775 maunds.
- Total A and B = The amount to be kept by the village dealers for village consumption = 4,911,485 maunds.
- Percentage of the good grain kept by the village dealers to the total food grain produced = 36-9 per cent.
- IV. (A) The total percentage not marketed outside the villages = 50 per cent. (kept at home) + 4-5 per cent. (given to *kamins*) + 36-9 per cent. (kept by village dealers for village needs) = 91-4 per cent.
- (B) The percentage offered for sale in *mandis* = 8-6 per cent.
- (C) The total value of (B) = Rs. 43-44 lakhs.

We have no material for making similar estimates of the proportion of the production of other commodities that is marketed outside the villages in which they are grown, except the fact that in the village of Shahabad Daultapur in the Delhi Province the producers generally retain 1/10th of *gur*, 1/7th of cotton for themselves and the whole of the fodder for their cattle. It is not safe to generalise on the basis of an enquiry in a single village but there is

no doubt that the bulk of the commercial crops like *gur* and cotton are generally marketed outside the villages.

130. In the Delhi Province, there are a number of mofussil *mandis* in addition to the city markets. Shahdara

Markets.

is a market for *gur*, sugar and to some extent grain; Najafgarh for barley, gram, wheat and *bajra*; Narela for *gur*, chillies, wheat and to some extent cotton; Mahrauli for barley, gram, *bajra* and to some extent *jawar*; and Masjid Moth for tobacco. There are also petty local markets in Karala, Kanjhaola, Jangpura and Bawana. In the city of Delhi itself there are 4 different markets dealing in agricultural produce sent from the surrounding villages, *viz.*, Rui ki mandi, Maidganj, Paharganj and Chauri Ganj. Formerly the produce of the villages round about Delhi within a radius of 100 miles used to be marketed in these *mandis*; but this has practically ceased, since *mandis* have been established in Sonapat, Rohtak and Bahadurgarh. Among others, the following are the neighbouring villages from which produce is sent to these city *mandis* for sale :—

Narela, Badli, Shampur, Haiderpur, Nangloi, Kamardi Nagar, Moghulpur, Kalan Khurd, Pitampura, Garipira, Ghuora, Hirankhurd, Ranikhera, Rasulpur, Mundka, Ran Hola, Madhirpur, Nehrpur, Rithala, Saraspur, Azadpur, Bhalswa, Jehangirpur, Nangli Kuna, Alipur, Mahrauli, Chiraghdili, Adchani, Ladosarai, Chatarpur, Hauzkhas, Manirka, Palan Bijwasan, Hastal, Bindrapur and Dabri.

The principal markets in Ajmer-Merwara are Ajmer, Beawar, Pushkar, Nasirabad, Kekri, Bijainagar, Hermera, Pisangaon, Dawair, Bhim, Todgarh, Jawaja, Barar, Kishangarh and Sarwar. Of these, Bijainagar, Beawar, Kekri, Nasirabad, Kishangarh, Sarwar are known for cotton and wool; while Nasirabad, Beawar, Kekri, Ajmer and Pushkar are considered as good markets for grain. The most important of them all are Ajmer and Beawar, each receiving produce from places as far as 80 miles by road and 160 miles by rail.

In the North-West Frontier Province there are 77 marketing centres of which the more well-known are Dhamtour, Abbottabad, Havelian, Mansehra and Haripur in Abbottabad District; Peshawar, Nowshera Kalan, Charsadda,

Hoti-Mardan and Swabi in Peshawar District; Kohat, Hangoo, Billitang in Kohat District; Bannu, Serai Naurang and Lachi in the Bannu District; and Dera Ismail Khan, Kulachi and Tank in Dera Ismail Khan District. Among these, Peshawar and Hoti-Mardan occupy a premier position. The produce sold at Hoti-Mardan comes not only from villages in Mardan Tehsil within 40 miles' distance from Hoti but also from places 80 miles distant in the independent territories of Swat and Buner.

The weights used in the *mandis* of the three provinces are uniform, and there is no evidence of the use of false weights anywhere. The prevailing market prices are generally known to the agriculturists; and the *mandi* dealers are in close touch with the outside markets. It would, however, be a great convenience both to *zamindars* and merchants if weekly reports of prices in the ports were notified in the mofussil *mandis*.

So far as the agriculturist producer is concerned, the transactions in *mandis* are all on a cash basis. The means of payment are metallic rupees and currency notes. In the *mandis* round about Delhi, more rupees than notes are in use, particularly in cotton and grain seasons; and lakhs of rupees are sent annually from the city to the neighbouring *mandis*, whether outside the limits of the Delhi Province or inside it. The dealers, who sell to the indigenous bankers *darshani hundis* arising out of their transactions in the market, take from the indigenous bankers in rupee coins more than in currency notes in order to make payments to the agriculturists. The same is the case in the North-West Frontier Province, though the use of currency notes there is increasing rapidly even among the Pathans.

131. Generally speaking, the agriculturists in the rural areas of Delhi sell their produce to the village *bantias* when it is small in quantity; otherwise they take it to the *mandis* on carts which they themselves own. An increasing number of them prefer to sell the produce in the city of Delhi. *Zamindars* in villages beyond Najafgarh and Bahadurgarh go to these *mandis* for marketing their crops, but in case the rate in the city of Delhi is more favourable to the seller, to the extent of even six pies per rupee, they go direct to Delhi in spite of the distance. The agriculturists living in villages between Delhi at one end and

Who brings the produce to the *mandis*?

Narella, Najafgarh and Bahadurgarh at the other end prefer to go to Delhi city markets direct whenever there is a sufficient load for a cart. Carting is done by the producers themselves; and as it costs them less to bring the produce to Delhi than it would cost the grain dealers in Najafgarh or Bahadurgarh, it is obviously the most economical arrangement when the produce is to be sent eventually to the city. On the whole, it is estimated that as much as 2/3rds of the produce transported to the city markets in Delhi, is brought for sale by the producers themselves.

Similar practice prevails in Ajmer-Merwara. When an individual grower has a sufficiently large quantity to sell, he transports it to the *mandis* himself, and sells it there either directly to the retail dealer or in the wholesale market through the agency of an *artia* or a commission agent. When the quantity is small, it is sold to the village dealer or to the agents of big grain dealers who occasionally visit the neighbouring villages in order to make their purchases after the harvests.

In the North-West Frontier Province too, the produce is brought to the neighbouring small *mandis*, in the majority of cases, by agriculturists themselves, and this is the case even in the hilly tracts of the province where adequate facilities for communications do not exist. In big markets like Hoti, however, the produce is received for sale, even from places as distant as 80 miles, and three different agencies are employed for the transportation of the produce. The most extensively employed agency is that of donkey drivers, who are given advances by dealers varying between Rs. 2,000 and Rs. 3,000 at a time. They go into the interior, buy the produce and return to Hoti within a few days. They are all Mohammedans and receive (in addition to the actual cost of transport) only a small commission on the purchases made. Approximately 50 per cent. of the produce marketed in Hoti is brought in this way, and the remaining half by the producers and village dealers in about equal proportion.

132. The agriculturist producer, generally speaking, is a free agent in the disposal of his produce. Of course, it is obligatory on him in all cases of loans in kind to repay his debt in kind; but we have already seen that most of the transactions are on a cash basis. Allegations were made in the course of

Effect of indebtedness.

evidence before us that the agriculturist producer is in the hands of his money-lenders and is obliged to sell his produce at prices much below the market rates in the *mandis*. But apart from the general weight of the evidence against this, such personal enquiries as members of the Committee could make showed clearly that such allegations were based upon an imperfect appreciation of the actual facts. At a general meeting of the co-operative credit society in the village of Shahabad Daulatpur the members present stated that the agriculturist debtor was under no obligation to sell the produce to his creditor and that there was very little to gain by selling it to others. In case the produce was offered to the creditor *sahukar* he would buy at $\frac{3}{4}$ seer per rupee more than the rate prevailing in the Delhi city market on the same day; but in this case the seller was saved the expense and labour of taking it to the city and had not to pay the octroi duties. The market rates in the city markets and those of the village differ only to the extent of $\frac{5}{8}$ ths of a seer per rupee; but when the agents of outside dealers visit villages they are prepared to buy at $\frac{1}{2}$ seer per rupee more than the rate in Delhi. It is, therefore, more profitable to the agriculturist to sell his produce to these itinerant agents than to his *sahukar* creditors in the village, who take $\frac{1}{4}$ th seer more per rupee. But in the case of good parties the *sahukar* creditor often make a concession of $\frac{1}{4}$ th of a seer to $\frac{1}{8}$ th of a seer per rupee; in that case, the agriculturist has no reason to prefer even these itinerant agents of outside grain dealers. It is a fact, however, that an increasing number of agriculturists go to Delhi to sell their produce in the city itself. The explanation offered to a member of the Committee who made personal enquiries from agriculturist sellers in the Rui ki mandi is that they go to the city not only to sell their produce but also to buy things, which they cannot do so well in the village or the mofussil *mandi*, and that the *mahajans*, to whom they are indebted, themselves ask them to sell the produce in the city of Delhi and pay them in cash instead of in kind because in these days it is cheaper for the agriculturists to transport the produce than for the *mahajans*. The *zamindars* are not only selling their own produce directly to the city *artias*, but some of them are also purchasing the produce of others and bringing it to the city for sale through the *artias*. Such *zamindars* are increasing in number, particularly in Maidangarh, Ladosarai and Mahrauli.

133. It is sometimes suggested that the rates in the villages compare unfavourably with those offered by the *artias* in the *mandis*. How little justification there is for this view can easily be seen by a glance at the following figures of prices in selected villages and the neighbouring *mandis* on the 22nd and 23rd of May 1930 :—

Prices of food grain
in the villages and *mandis*.

NORTH-WEST FRONTIER PROVINCE.

Statement showing wholesale prices of commodities on May 22nd and 23rd, 1930, in important villages and markets.

Village.	Tehsil.	District.	Name of nearest Market.	Cost of transport per maund from the village to the market.	PRICES OF COMMODITIES.								
					WHEAT.		BARLEY.		MAIZE.		GRAM.		
					Village.	Market.	Village.	Market.	Village.	Market.	Village.	Market.	
				Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Unarbala and Dagismalkhel.	Nowshera	Peshawar	Pabbi	..	3 8 10	*3 8 10 †3 7 1	2 0 0	*2 1 7 †2 3 0	2 9 1	*2 8 0 †2 9 9	4 7 0	*4 7 0 †4 7 0	
Mayar . . .	Mardan . . .	Do.	Hoti . . .	0 1 3	3 1 3	3 3 5	2 0 0	2 3 11	2 7 3	2 10 2	Not sold.	7 3 1	
Ghoriwala . . .	Bannu . . .	Bannu	Bannu . . .	0 3 0	4 0 0	4 2 0	2 8 0	2 11 0	3 5 0	3 9 0	3 10 0	3 13 0	
Naurang . . .	Do.	Do.	Do.	1 0 0 (per bullock cart in winter).	4 10 4	4 2 0	2 9 0	2 11 0	3 9 0	3 9 0	3 10 0	3 13 0	
Shahbazkhel	Laki . . .	Do.	Lakki . . .	0 6 0	4 0 0	..	2 2 1½	..	Not produced.	..	3 3 3	..	
Hangu . . .	Kohat . . .	Kohat	Kohat . . .	1 4 9 (Summer).	5 2 6 1st class. 4 6 7 2nd class. 4 0 0	4 5 2	4 0 0	2 5 9	3 12 5	..	5 9 0	4 3 4½	
Billitang . . .	Do.	Do.	Do.	0 1 3	..	4 3 4½	2 3 6	2 5 9	3 5 3	..	Not produced.	4 3 4½	
Villages at 10 miles distance.	Abbottabad	Hazara	Dhamtaur . . .	0 6 0 for 10 miles radius.	4 12 0	4 4 0	3 12 0	3 4 0	4 4 0	3 12 0	5 4 0	4 12 0	
Kotnasjibulla	Haripur . . .	Do.	Haripur . . .	0 2 0	3 5 3	3 12 0 (2nd class) 3 14 0 (1st class) 4 4 0	2 3 6	2 1 6	3 1 3	3 2 0	4 3 6	3 13 9 to 3 15 3	
Villages near Kulachi.	Kulachi . . .	D. I. Khan	Kulachi	0 4 0	..	4 4 0	..	3 1 0	..	..	..	3 3 0	

Cost of transporting produce from Kohat to Billitang is as follows :—
 1 bullock cart at Re. 1 in summer, at Rs. 1-4 in winter. 2 bullock carts double rates; and 3 bullock carts at Rs. 2-4 in winter, at Rs. 2-12 in summer.
 * On 22nd May. † On 23rd May.

DELHI.

Statement showing wholesale prices of commodities on May 22nd and 23rd, 1930, in important villages and markets.

Village.	Tehsil.	Market place.	Cost of transport per md.	PRICES OF COMMODITIES.									
				WHEAT.		BAJRA.		GRAM.		JAWAR.		RAW SUGAR.	
				Village.	Market.	Village.	Market.	Village.	Market.	Village.	Market.	Village.	Market.
			Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Shahdara . . .	Delhi .	Delhi .	0 2 6	3 10 0	3 18 0	Not shown.	Not shown.	4 4 0	4 3 6	4 2 0	4 0 0	6 8 0	7 0 0
Mahranti . . .	Do. .	Do. .	0 1 9	3 14 6	3 13 0	5 2 0	Not shown.	4 8 0	4 3 6	4 12 0	4 0 0	6 12 0	7 0 0
Najafgarh* . .	Do. .	Do. .	0 2 0	3 13 0	3 13 0	Not shown.	Not shown.	4 6 0	4 3 6	4 8 0	4 0 0	7 0 0	7 0 0

AJMER-MERWARA.

Statement showing wholesale prices of commodities on May 22nd and 23rd, 1930, in important villages and markets.

Village.	Tehsil.	Market place.	Cost of transport per md.	PRICES OF COMMODITIES.									
				WHEAT.		BARLEY.		MAIZE.		GRAM.		RAW SUGAR.	
				Village.	Market.	Village.	Market.	Village.	Market.	Village.	Market.	Village.	Market.
			Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Rajlawas	Beawar	Beawar	Infn. not received.	4 6 0	4 6 0	3 0 0	3 0 0	3 8 0	3 8 0	3 14 6	3 14 6	12 4 0	Not shown.
Eupnagar	Do.	Do.	Do.	4 6 0	4 6 0	3 0 0	3 0 0	3 8 0	3 8 0	3 14 6	3 14 6	12 4 0	Not shown.
Jaasantpura	Ajmer	Nasrabad	1 8 0 per cartload of 15 mds.	5 0 0	4 13 6	3 0 0	3 2 6	5 0 0	4 13 6	4 0 0	3 14 6	Nd	Not shown.
Makrera	Do.	Ajmer	1 12 0 per cartload of 15 mds.	4 11 3	..	3 4 3	3 6 6	4 11 3	4 11 3	3 13 0	4 0 0	Nd	Not shown.

A detailed enquiry on this subject was conducted in the city markets of Delhi. The dealers and *zamindar* sellers who were questioned on the point agreed that there was generally a difference of about 9 pies per rupee between the prices of grain in the city markets and those prevailing in the mafussil *mandis* of Narela, Najafgarh and Bahadurgarh. This small difference does not make it a paying proposition for the mofussil dealers to move grain to Delhi. They have to pay 2 annas a maund on the carriage of goods; 6 pies per maund for terminal tax in the city of Delhi, 3 pies per maund for packing, weighing, sewing, etc., and 3 pies per rupee or 1 anna per maund as commission to *artias* in Delhi. It would pay only the *zamindars* to bring the produce to Delhi as transport arrangements are their own. In the case of cotton, the mofussil dealer has to pay 6 annas per maund on carriage, 6 pies on coolies and 2 annas per maund on weighing. None of these charges are borne by the *zamindars*. The local mills which purchase cotton take $40\frac{1}{2}$ seers for one maund, which means a loss of roughly 2 annas per maund and deduct 6 pies as *dalali* and 7 pies per maund as *bandhai*. The *artia's* commission is 6 pies per maund, and the same is the rate for the terminal tax. The loss on account of shrinkage is estimated at about $\frac{1}{2}$ seer or 2 annas per maund. All these charges make up a total of roughly 14 annas per maund. The price of cotton in Delhi and Narela differs by only a rupee per maund, leaving a margin of only 2 annas per maund for the mofussil dealer. Against this small profit is to be set off the risk of loss, if the price on the selling day in Delhi is lower than on the preceding day when cotton was purchased at Narela.

Much the same is the result of an enquiry made in the village of Rajiawas in Beawar. There the creditors of the village agriculturists are also *artias* in the city of Beawar and all the *zamindars* present at the enquiry agreed that they got the same rates as prevail in the Beawar market. They, however, stated that there was a moral understanding between them and their *bohras* that the crop would be sold through them, for by changing the commission agent the agriculturists gained nothing while the *bohra* lost his commission. The exact position was summed up by the spokesman of the agriculturists as follows :—

“ There is a moral understanding between me and the *bohra* that I should take the crop to him for

sale. If I do not do it he would not accommodate me in times of distress. Although he gives me the full benefit of the market price in Beawar, he will lose his *arat* if I go and sell it through some one else. If I sell it through another dealer, I shall have to pay the *arat* charges to the other man also. My *bohra* does not charge me anything *more* than what I have to pay as commission elsewhere and therefore I shall gain nothing by the change."

The real effect of the indebtedness is not that the producer does not get the prevailing prices in the market, but that he has to sell soon after the harvest, because of the pressure of his creditors for repayment of their loans, even though prices may be unattractive. In a word, he cannot afford to wait for higher prices. But if by waiting there is a possibility of gain, there is a probability of loss also, *particularly in these days of falling prices*. The middleman undoubtedly reaps the benefit of any rise in prices just as much as he incurs loss on account of a fall in prices. But this middleman is neither the village *bania*, except so far as he holds stocks for retail sale in the village, nor the *artia* in the *mandis*. It is the wholesale dealer in the big markets.

134. The system of giving advances to the agriculturists with a stipulation that he should sell his produce at rates settled months in advance, does not prevail anywhere except in the *mandis* for *gur* in the North-West Frontier Province. But advances are given in the North-West Frontier Province for a different purpose. We have already described the system of giving advances for a few days to donkey drivers in Hoti-Mardan for the purpose of bringing grain from the interior. Similar advances are given by grain dealers to *zamindars* for about a week before the produce is brought to the market. The amount advanced varies between 8 annas and Rs. 2-8 per load (weighing $1\frac{3}{4}$ or 2 maunds). The price is settled at the time this amount is paid, but no advance is given for periods longer than a week. Similarly the village *bania* receives an advance from grain dealers on the same scale as the *zamindars*; and for the same period. It is only in the case of *gur* that advances are given for much longer periods. The system followed is that in the month of January and February the commission agent gives advances at the rate of 6 rupees

Advances against produce.

per *jarib* on the understanding that the produce grown will be sold through him. The produce is sold in the month of December at prices which vary between 8 to 6 rupees per maund; and the commission agent credits the producer with the market price then prevailing after deducting a commission of Rs. 4 per *jarib*, which yields about 12 maunds of *gur*. No interest is charged on such advances.

135. Neither in Ajmer-Merwara nor in the North-West Frontier Province does it appear common for the agriculturists to store their produce for the sake of higher prices. In Delhi, however,

the more substantial agriculturists do store produce in their own houses. It is generally believed by persons engaged in the grain trade that about 25 per cent. of the *zamindars* in Delhi have been storing produce in recent years in the hope of being in a position to sell at a more favourable price later on. But some of them have been losing very heavily owing to falling prices. How little can actually be gained and how much can be lost by holding up the crop for better prices, can easily be seen from the following quotations for first class wheat, taken from the account books of a leading wheat broker in the city of Delhi :—

	Seers per rupee.
1st <i>Jeth</i> 1926 (Middle of May 1929)	8½
1st <i>Asar</i> 1926 (Middle of June 1929)	9
1st <i>Sawan</i> 1926 (Middle of July 1929)	8
1st <i>Badhwa</i> 1926 (Middle of August 1929)	7½
1st <i>Asu</i> 1926 (Middle of September 1929)	7½
1st <i>Katik</i> 1926 (Middle of October 1929)	8
1st <i>Mangsir</i> 1926 (Middle of November 1929)	8½
1st <i>Poh.</i> 1926 (Middle of December 1929)	8½
1st <i>Ma.</i> 1926 (Middle of January 1930)	8
1st <i>Phagun</i> 1926 (Middle of February 1930)	9½
1st <i>Chet.</i> 1926 (Middle of March 1930)	9½
1st <i>Vaisakh</i> 1927 (Middle of April 1930)	10

Apart from the long-period storage, it is not uncommon for bigger agriculturists and village dealers in these Areas to store the produce with the commission agents in the *mandis* for short periods, and to take from them an advance to the extent of nearly 75 per cent. of the value of their produce at a rate of interest varying between 6 and 7½ per cent. per annum.

136. The central figure in this marketing business is the commission agent or the *artia*. His charges vary in different places. In the mofussil *mandis* of Delhi, it is the *seller* who pays *arat* or commission at the rate of 1 pice per rupee on the market price of the commodities sold. In the city markets of Delhi, no commission of any sort is paid by the seller. The commission agent's charges amounting to 3 pies per rupee fall on the *buyer*. The *artias* pay the *zamindars* ready cash while they sell the produce to the buyer on credit for 8 days, thus losing interest for 8 days. The seller whether a *zamindar* or a dealer, far from paying anything to the *artia* actually receives from him about 2 annas per cart load, which weighs on an average about 20 maunds, worth about Rs. 80 in the case of wheat and Rs. 40 in the case of barley. He also gets from the *artia* free tobacco, 1 pice for *achar* if he has brought his own food, and sometimes food and lodging also. The *artia* has to pay in addition to these charges, 1 anna per cart as *chowkidari* to the owner of the *mandi*, 2 annas per cart as *tulai* and godown charges for 15 days as the buyer does not pay anything for keeping the goods with the *artia* for 15 days. Out of the balance, provision has to be made for shop expenses as well as for insurance against loss on account of bad parties. In estimating his net earnings out of his commission of 3 pies per rupee charged to the *buyer*, a fair allowance must be made for all these expenses.

In the *mandis* of Ajmer-Merwara the commission agent's charges vary in different markets from 8 annas to a rupee per cent. The seller, whether an agriculturist or a village dealer, has to pay the commission agent's *arat*, and customary charges for weighing, for *dharmada* (charity) and for paying the sweeper and the waterman, which taken together amount to about 6 annas 6 pies per cent. For cotton, the customary rate in Beawar is 6 annas per maund inclusive of all charges. The commission agent loses his interest for about 4 to 8 days as the buyer has to be given credit for this period. As in Delhi, the *artia* is ready to give advances up to 75 per cent. of the value of the produce stored with him at a rate of interest varying between 6 to 7½ per cent., in addition to rent for the godown. In the *mandis* of the North-West Frontier Province, the commission agent's charges amount generally to 3 pies per rupee or 2 annas per maund in the case of some commodities, and

he gives advances against the produce kept with him to the extent of 80 per cent. of the value at the market rate of interest. These details make it quite clear that the charges of the *artia* or the commission agent, considering his labour and the risk in his business, are not at all unreasonable.

137. There is no system of pooling at present in any of the three provinces; nor have any suggestions been made to us for the formation of pools. We doubt very much whether the agriculturist will gain anything in the long run by forming a pool, and we agree with the Registrar of Co-operative Societies, Ajmer-Merwara, that such pools will lead to clash of interests and unhappy disputes.

Pooling.

138. Our general review of the existing conditions of marketing by the producer makes it quite clear that there is nothing seriously wrong with the existing system. But there is no doubt that the agriculturist is unable to hold up his produce for better prices; and suggestions have sometimes been made to start co-operative loans and sales societies, or to extend the scope of ordinary agricultural co-operative societies so as to include advancing of loans against stored produce grown by the members of agricultural credit societies, or to institute a system of loans to the farmer on the lines of those advanced by the Egyptian Government. On a consideration of all the relevant issues on this subject, the majority of us have come to the conclusion that it is not at all necessary to embark on any of these ventures. The *zamindars* of these Areas have at present no difficulty in obtaining loans against stored produce up to 75 per cent. of its value at quite a reasonable rate of interest, generally from the *artias*, and in some cases even from the city banks. We have had no complaints against the methods of working of the *artias*; in fact almost everywhere there is a general feeling that the system of *artias* is working satisfactorily. We see no reason why the agriculturist should not take full advantage of the existing facilities for getting advances against stored produce, if he is willing to take the risks of fluctuations in prices. But in view of the recent marked tendency of agricultural produce to fall in prices and the frequent, almost violent, changes in these prices, we gravely doubt whether the agriculturists of the Centrally Administered Areas would be wise in running the risk of fluctuations in

Facilities for holding up produce for better prices.

prices of stored produce in the hope of realising substantially higher prices at a later date and paying, in the meanwhile, interest on advances against stored produce.

In view of these fundamental objections, which apply equally to the Egyptian scheme, we need hardly go into its full details. Under it the cultivator gets an advance for a period of only four months with the option of getting an extension of a further period of four months at a fixed rate of interest, *viz.*, 4 per cent. All incidental charges, storing, packing, weighing, etc., are borne by Government. Not only the funds are provided by Government but also the necessary staff of cashiers, agents, warehouse keepers are paid by Government, though they are nominated by banks. Such a system appears to us undesirable on many grounds. It keeps the interest charges at a fixed rate, independent of the market rates and very much below the normal rate in the busy season. It throws on the general tax-payer not only the losses arising out of this but also all expenses of staff, grading, packing, sacks, rent of godowns, etc. The loans under it are made on the basis of the amount *per load* irrespective of the market price of the produce. And, finally, it sets up a number of petty officials invested with extensive powers.

Our colleague, Lala Bal Kishen, while agreeing with our general observations and our criticism of the Egyptian system of loans, wishes to record his dissent from the view that it is not necessary to start co-operative sales and loans societies on the ground that he does not desire any restrictions to be imposed on the freedom of co-operative movement to start such societies merely because the system of *artias* is working satisfactorily.

CHAPTER XVI.

FINANCING OF INTERNAL TRADE AND REMITTANCE FACILITIES.

139. In the preceding chapters we have described the general system of financing the agriculturist producers and

Introduutory. village dealers up to the stage when the produce comes into the hands of merchants in the local *mandis* in the three provinces. We have now to notice in each case the financing of internal trade within the province itself and trade between it and the other provinces of British India.

140. We have no data for making an estimate of the volume of imports into, and exports from, these three provinces, as even the Returns of the Indian Railway and River Borne Trade, the publication of which was discontinued from 1922, do not give any separate figures for each of the three Areas. We can, however, form a general idea as to the main articles exported from the North-West Frontier Province. Apart from all the transit trade in commodities coming from the transborder territories which we shall notice in our Chapter on Transborder Trade, the exports consist of fresh fruits, *gur*, tobacco, chillies, cotton and cotton seeds, and oilseeds. Some quantity of grain is also exported outside the province but this is probably much less than what is imported into the province. From Hoti-Mardan alone the total exports were estimated by the local merchants and *zamindars*, who assisted us during our enquiry at that place, at one lakh maunds of wheat, one lakh maunds of *juwar*, 50,000 maunds of tobacco, 2,50,000 maunds of *gur*, and one lakh rupees worth of fruits. Wheat is exported generally to Karachi and to Military camps; *gur*, which is reported to be of specially fine quality, is sent to the Punjab and Delhi; tobacco to a number of places in the Punjab and Delhi Province and even beyond Delhi towards the east; *juwar* is sent to Hazara within the Province as well as to Rawalpindi in the Punjab.

141. Local enquiries conducted by the members of the Committee into the system of marketing and financing in Hoti-Mardan show that the merchants of the place do not store for long the grain that comes into their hands. Very few of them trade on their own

Marketing and financing
at Hoti-Mardan—North-
West Frontier Province.

account; almost all act as commission agents on behalf of either the merchants in places like Karachi, or Military contractors in the North-West Frontier Province. They despatch the goods purchased on behalf of their principals on receipt of instructions from them and charge interest at the rate of 5 per cent. for the period the goods lie in their godowns. Their principals pay them the purchase money as soon after getting the railway receipt as is convenient to them, paying them interest at the rate of 5 to 5½ per cent. during the interval between receipt of goods and payment of money. In some cases according to previous arrangements and in the case of parties, who are not trusted fully, railway receipts are sent through indigenous bankers or joint stock banks and the money collected through them. In addition to interest, the commission agent receives as his commission one per cent. of the value of the produce exported. Till recently the indigenous bankers were paid generally at the rate of two annas per cent. for recovering and transmitting money; but since a branch of the Peoples' Bank of Northern India was opened in Hoti, the charges on *hundis* have come down from two annas per cent. to six pies per cent. and sometimes even to four pies per cent. The trade in *juwar* with Hazara and in tobacco with places in the Punjab, Delhi and the United Provinces is financed mostly by cash, either remitted by currency notes in insured covers through the post office or brought in personally by the merchants or their agents from these places. Both the indigenous shroffs and banks in Peshawar freely give advances against the security of the produce stored with them to the extent of nearly 80 per cent. of the value. The dealers in *gur* are paid by exporting firms in about four weeks' time and these in turn are financed by arrangements with banks in Peshawar through whom it is generally exported.

142. The bulk of dry fruits, furs, hides and skins, and carpets imported into Peshawar is re-exported outside the province. As will be stated in the chapter on Transborder Trade, the central figure in the dry fruit trade is the *dharwai*, who pays the entire amount of purchase money to the Kabuli dealer in advance and recovers his money subsequently from the purchaser, whether he be a local dealer or an outside merchant. Generally this *dharwai* is also a commission agent on behalf of dealers in Bombay, Calcutta, and other

big towns in India. He charges as his commission about one per cent. of the value in addition to interest at the market rate for the period his amount remains unpaid. If the dealer at the other end is a substantial man, money is recovered by means of *hundis* through the indigenous bankers; otherwise railway receipts are sent through the banks for collection. Notes in insured covers are used, to a very small extent, as means of remittance and payment. Trade in furs, hides and skins and carpets is almost wholly an export trade with countries outside India and is financed mainly by a branch of one of the Exchange Banks.

143.-Of the imports, the most important are sugar, silver and gold, hardware, tea and grain. In Hoti-

Imports—Gold and silver, etc.

Mardan alone 40,000 maunds of sugar are imported annually and distributed to the various parts of this *ilaga*.

Three of the local merchants have got offices at Karachi, and money realised from the sale of sugar in Hoti is remitted by means of drafts through the Imperial Bank at Nowshera or Peshawar. Silver is imported in considerable quantities through the Chartered Bank of India, Australia and China or the local shroffs, while gold is imported mostly through the indigenous bankers from Bombay. Before the recent disturbances in Afghanistan, large quantities of silver used to be imported for the purpose of re-export to Kabul; even the local demand for this commodity is substantial and silver is distributed from Peshawar to the villages round about it and sent to Mardan as well as Swat. Gold is imported to Kohat mainly from Rawalpindi, while Mardan gets its supply of gold partly from Peshawar and partly from Bombay. Almost the entire finance required for the movement of gold and a substantial amount required for the financing of silver trade is supplied by the indigenous bankers and the dealers who trade in these commodities. A peculiar system of financing the tea trade has come into vogue in Peshawar recently. The dealers in tea who are generally Mohammadans raise the money required from *sahukars* in Peshawar and pay a sum of Rs. 12 per cent. per annum on the amount borrowed; but the amount so paid is recorded in their books as share of profits because the receipt and payment of interest are considered objectionable by a large body of Muslims. If the amount was raised on pronotes the rate of interest would be lower. As it is, this form of partnership is more paying to the *sahukar* as he is

able to realise thereby interest at the rate of 12 per cent. per annum.

144. It is difficult to make any accurate estimate of the relative share of the indigenous banker and banks in the North-West Frontier Province in the financing of trade. One well-known banker estimated that even in the city of Peshawar where there are more banks than anywhere else in the North-West Frontier Province, 20 per cent. of the fur trade, 25 per cent. of the trade in carpets, 50 per cent. of dry fruit trade, 25 per cent. of the hardware trade, and 50 per cent. of the tea trade was financed by the indigenous bankers, the remaining part being financed partly by the traders themselves out of their own capital and partly by banks. The share of the indigenous bankers in the other markets may, therefore, be safely presumed to be very much higher than this.

145. The principal articles of internal trade in Ajmer-Merwara are cotton, wool, *gur* and food grains. Of these *gur* and food grains are for local consumption, but cotton and wool are also exported outside India *via* Bombay. The food grains are imported from Bhatinda, Mukatsar, Phagwara, Jullundar, Kotkapura, Lyallpur, Gurdaspur and Gojra in the Punjab, while pulses are imported from Cawnpur and Agra in the United Provinces. The total quantity imported into the Ajmer market alone is 4,00,000 maunds annually of which only 40,000 maunds are from the neighbouring villages. *Gur* is imported from Meerut, Delhi, Ghaziabad, Hapur, Shahdara, Panipat, Sonapat, Sikandarabad and Maharajganj. The best market for cotton and wool in the province is Beawar, which receives annually about 4,00,000 maunds of raw cotton and 10,000 maunds of ginned cotton. The amount of cotton ginned in Beawar is approximately 1 lakh maunds, of which about 70,000 maunds are exported. Raw cotton is received in Beawar from Mewar, Marwar, Magra and other places within a distance of 86 miles by road and 150 miles by rail. The total quantity of wool imported annually in Beawar is about 25,000 bales, each bale weighing 4 maunds and 5 seers. Of this, 10,000 bales comes from villages in Ajmer-Merwara, 10,000 from Marwar, 5,000 from Bikaner, 2,000 from Jaipur state, 2,000 from Mewar, 5,000 from the

Part played by indigenous banker and banks in financing trade.

Internal trade—Ajmer-Merwara.

Punjab and 2,000 from Gujrat. Beawar is the second best market in India for wool clearing, the best being Fazilka in the Punjab. Almost the whole quantity of wool cleared is exported to Liverpool *viâ* Bombay or Karachi.

146. In Ajmer, grain is sold on credit, generally for 15 days. On cash payment a discount of four annas per cent.

Financing of Grain-trade in Ajmer.

is allowed, while sales on credit for 15 days are effected at par. In case the period extends beyond 15 days, interest is charged up to 6 per cent. per annum according to the relations that exist between the buyers and the sellers. Hardly 2 per cent. of the purchases are made in cash; generally all the transactions are on credit. The retail dealers in the city get no credit either from the shroff or the Imperial Bank; they repay almost daily out of the proceeds of their sales. In order to recover money from the village dealers the grain merchants in the Ajmer *mandi* have generally to send their own agents to make collections.

As regards the imports from the Punjab, 75 per cent. to 90 per cent. of the price is remitted as soon as the railway receipt is received by the merchants in Ajmer. The Punjab dealers receive their money partly through the Imperial Bank and partly through the indigenous shroffs; but the number of *hundis* sent through the latter is declining owing to the competition of the Imperial Bank. Payments on account of the grain received from Malwa are made by currency notes sent in insured covers through the post office. Occasionally the agents of the Malwa merchants come to Ajmer to recover their dues. Payment in respect of dealings with the residents of the United Provinces are mostly made by means of *hundis* on Calcutta and other places purchased from the indigenous shroffs. The grain dealer in Ajmer has to pay 75 per cent. to 90 per cent. of the value of grain imported immediately on receiving the railway receipt, but the goods arrive some time later. Again between the date on which grain reaches Ajmer and the actual sale of goods to retail dealers, there is often a long interval, extending sometimes even to four months. The grain merchant in Ajmer does not generally trade on his own account; he is merely a commission agent between the outside seller and the retail dealer in Ajmer. The actual time of selling thus depends largely upon the instructions received from the principal party in the exporting centre. The Ajmer *artia* charges interest on the amount advanced

by him at the rate of 10 annas per cent. per mensem, and commission on sales at the rate of 14 annas per cent.

It has been stated before us that the part played by the Imperial Bank in all these transactions is almost insignificant. The *artia* does not go to the bank for accommodation as the latter insists on goods being stored in its godown. He sells grain in instalments and it is inconvenient to deal with the Imperial Bank for every instalment because of its formalities. Besides, in the absence of any satisfactory arrangement for grading, every buyer likes to see the stock and does not enter into a bargain merely on seeing samples. Grain trade is financed by the *artias* with their own capital to the extent of 12 annas in the rupee, the remaining 25 per cent. is provided by loans from the local offices of the indigenous bankers or by drawing *darshani hundis* on the Bombay offices of the shroffs. In case the latter method is resorted to, the *artia*, when he has funds later on, purchases *hundis* on Bombay in the market to repay his dues to the shroff, maintaining during the interval a current account with him on which interest is calculated on daily balances. The rate of interest varies between 7 to 10 annas per cent. per month on the amount advanced, but it is a fixed rate for each party according to his standing, irrespective of the season. The *artia* prefers this to the practice of the Imperial Bank, whose rate varies according to the season.

147. Payments to outside dealers on account of the imports of *gur* are made generally by means of *hundis*, or currency notes sent through the post office, whichever is cheaper. The *hundis* used in settlement of these transactions are not *hundis* on the exporting centres but on Bombay and Calcutta, because *hundis* on the former are not offered for sale by the local indigenous bankers. It was suggested to us that if the Imperial Bank were to reduce its charges from 4 to 2 annas per cent., *gur* merchants would prefer to deal with the bank, as it could issue drafts *directly* on the places with which the merchants have dealings.

148. Of the cotton sold in Beawar, nearly 60 per cent. is brought by the *zamindars* and 40 per cent. by the village dealers. The *artias* pay cash to the sellers in full, whether they be *zamindars* or village dealers. Rupees, more than notes, are the

Modes of payments on
account of trade.

Cotton trade—Beawar.

common means of payment. If any of them does not wish to sell immediately, the commission agents generally advance him 75 per cent. of the price of the produce stored with them at 7 per cent. interest. Some of the bigger *artias* purchase also on their own account and export cotton to Bombay, but the general practice is to restrict their business to commission agency. The bulk of the capital employed is owned by the *artias* and the balance is provided by the indigenous bankers in Beawar, Ajmer and Bombay. No help is received from the Imperial Bank in the financing of this trade.

149. Wool is an important article of export from Ajmer-Merwara. There are about 50 merchants engaged in the business of clearing wool and exporting it to Liverpool *via* Bombay and they employ about 3,000 men, women and children. Wool comes to the Beawar market only in particular months and for nearly an interval of 6 months no wool is imported at all. As prices generally go up during this intervening period of slackness, and the clearing factories have to find work during the whole year, stocks are held up for two to four months in spite of the fact that it takes only 15 to 30 days to have the wool cleared. The merchants engaged in this business take no advances from the Imperial Bank of India or the local indigenous shroffs. Their *artias* in the purchasing centres outside the province pay the sellers there by means of *hundis* on their *artias* in Bombay. The latter pay cash on their behalf for *darshani hundis* drawn by the former and when wool is exported to Liverpool they get an advance from the banks in Bombay and credit it to the Beawar dealers' running account with them. They charge them interest if their debits exceed their credits and pay them interest if the reverse is the case. They are in fact their bankers with whom they maintain a running account. The dealers consider it more convenient to deal with the indigenous bankers in Bombay than to transact business with the Imperial Bank or any joint stock bank. It has been stated before us that the expansion of the wool business is restricted not for want of banking facilities but because it has become highly speculative. During recent years there have been far too many violent fluctuations in prices within a short period and those engaged in the business are now decreasing the volume they handle every year. About 4 to 6 years ago some foreign firms, *e.g.*, Messrs.

David Sassoon and Co., Mitsui Bussan Kaisha, etc. had their agencies in Beawar and used to advance money for their wool business, but they suffered losses as a result of which they had to close their agencies.

150. Gold and silver are the other important commodities of trade in this province. In 1928 the quantity imported into the city of Ajmer is stated to have amounted to 10,000 tolas of gold and 18 lakhs tolas of silver of which $\frac{5}{8}$ ths was consumed in the city and $\frac{3}{8}$ ths in the villages. In the Beawar market about 5 lakhs worth of gold and silver are sold every year in about equal proportions. The consumption of these precious metals is said to be greater in the cities than in the villages. The entire supply is imported from Bombay, and is paid for by *hundis* purchased from the local *seths* and shroffs or by cheques offered by a company of wool merchants on Bombay. Practically nothing is remitted through the Imperial Bank at Ajmer, but occasionally supply bills are purchased through the Beawar Treasury.

151. The city of Delhi dominates the Delhi Province, its population being much larger than the rural population of the Province. A considerable part of its trade is also due to the fact that it is a big distributing market for the portion of Northern India between Amritsar at the one end and Cawnpore at the other. We have not been able to make any elaborate enquiries into the market conditions of the town but the general impression which we have gained is that a large amount of business is carried on in grain, cotton, sugar, piece-goods, bullion, metals, machinery (including motor cars), haberdashery, and *kirana* (sundries). So far as articles imported from foreign countries are concerned, the trade is generally financed by the exchange banks. The shipper's drafts on the buyers in Delhi are negotiated by them and when the goods arrive in the ports, they invest their money on duty and clearing charges, and charge the buyer interest thereon at 10 per cent. per annum. On arrival of the goods in Delhi, the exchange banks make advances to the importers and retire the drafts by opening loan accounts against hypothecation of goods stored in their godowns leaving a margin of 20 to 25 per cent. of the invoice value *plus* all clearing charges and customs duty paid.

It is alleged by the Delhi Piece-Goods Association that the total margin comes to nearly 40 per cent. of the invoice value in Delhi whereas it is only 25 per cent. in Cawnpore; but in the absence of any evidence from the exchange banks we are not in a position to find out how far this allegation is true.

There are also agencies of European firms in the town, but these are mostly for booking orders and generally play very little part in the financing of imports. In a few cases, however, they send for goods on their own account, and sell them in the market partly on cash and partly on credit. As soon as goods are taken delivery of by the dealers they make their own arrangements for financing their business. The retailers generally cover their requirements through the medium of the *artias* (commission agents) who finance them till they are in a position to repay them out of their sale-proceeds. The *artia* obtains 9 days' credit free of interest from the wholesale dealer, after which period, according to the usage of the market, he must pay the amount due to the wholesale dealer, if he wishes to retain his position in the market. A few years back, the mofussil retailer used to pay a large part of the purchase money in cash, and the *artia's* function was limited to negotiating the transaction with the wholesale dealer and to advancing the retailer a small amount to make up the shortage of ready cash with him. But in recent years, the mofussil dealer because of trade depression buys not with cash but on credit from the *artia*, who is now called upon to invest a good deal of his own money in the business. As a result, a number of them are curtailing the volume of their business.

152. The chief staple grains imported into Delhi are wheat, barley, gram and *torah*, of which about one lakh maunds come from the mofussil places. Trade in grain—Delhi. Wazirabad, Gujranwala, Khankadogran, Gojar-mandi and Lyallpur in the Punjab send about 20,000 maunds of wheat a month; Cawnpore District, Ettah and Ettawah send about 5,000 maunds a month and Moradabad, Chandosi, Hapur, Ghanziabad and Amroah send about 50,000 maunds a month. Of the total amount of the cereals sold in Delhi, about $\frac{1}{3}$ rd is sent out to the villages round about Delhi and $\frac{2}{3}$ rds is consumed in the city itself. Practically nothing is exported to the ports. There are no *khaties* here nor any *kothas* for storing the produce,

and the grain brought to the market is packed in gunny bags which are stored in the godowns of the grain dealers in the Naya Bazar, Delhi.

The grain merchants act mostly as *artias*; *i.e.*, they do not buy or sell on their own account but sell on behalf of their clients whom they charge commission. They advance to their clients 75 to 90 per cent. of the value of the produce entrusted to them, the payments being made sometimes in cash and sometimes in *darshani hundis*. Interest is charged on such advances at the rate of 7 annas 9 pies per cent. per mensem. The produce is generally sold within 20 days of its coming to the market, and in no case is it kept for more than 3 or 4 months owing to the risk involved on account of the fluctuation of prices and the possibility of deterioration because of the surface moisture. In case of storage, the *artia* charges the seller Rs. 3-2 per hundred bags (each bag weighing about $2\frac{1}{2}$ maunds) per month.

The *artia's* commission is paid by the *buyer* and not by the seller. The buyer pays in all at the rate of Rs. 2-8 per cent. of the price of the goods sold, out of which he deducts 15 annas per cent. on account of the charges paid by him for brokerage, weighing, coolies, etc., so that the *artia's* commission is only 3 pies per rupee or one rupee and 9 annas per cent. As the buyer pays only after 8 days, this includes interest for that period and means a net charge of only Rs. 1-7 per cent. Out of this, the *artia* has to pay 1/10th to the dealer whose goods he sells, and has to meet the expenses of boarding and lodging of his clients who stay with him sometimes even for 15 days or a month at a time. While the charges for telegrams fall on the seller, the expense on account of postage on letters, which have to be sent daily to clients in order to keep them in touch with daily quotations of prices, falls on the *artia*. On the whole, the net gain of the *artia* does not come to more than 1 per cent., out of which he has to provide for his shop expenses as well as losses on account of bad parties.

The financing of local produce has already been described in the Chapter on Marketing. The business in grain in Delhi does not require much outside finance. There is only a limited scope for this business in Delhi and the *artias* have generally enough funds of their own. In case of need they borrow from one another at the rate of 8 annas to Re. 1 per

cent. per mensem, but they seldom go to a bank for financial assistance.

The merchants can easily get in Delhi *hundis* of indigenous shroffs and bank drafts on almost any big town in India. The bank drafts or demand *hundis* on the port-towns are very often used as a means of settling transactions between Delhi and other inland towns.

153. Our review of the existing system of financing the internal trade clearly shows that the pivot of the whole system is the *artia*. Originally only a commission agent, as his name implies, he has by force of circumstances become a financing agency. He has to give credit to his customers on open account and has to wait till money is remitted to him weeks or even months later. He cannot extend his business unless he can increase his own capital, for he cannot convert his book accounts into cash. Even big merchants who can easily get accommodation from banks consider it derogatory to their own position in the market to keep the goods in the godown of the banks. Obviously the only remedy is to substitute trade bills for 'credits on open account' and to facilitate their rediscounting by adopting the system of warehouses, which is prevalent in the United States, under which such bills would be backed by proper warehouse receipts, issued by warehouses which would be independent both of the borrower and the lender. The only serious objection urged in evidence against such a system of licensed warehouses is one of cost on account of overhead charges, but in view of the possibilities of developing a bill market and increasing, by means of rediscounting, the financial resources of businessmen in the busy season, we are definitely of opinion that the principle underlying the United States warehouse system is a good one, if only the public could be induced to take it up, and that it is well worth a trial in spite of the cost that it will entail. We consider that the volume of business both in Delhi and Peshawar justifies an experiment of this sort being made in selected places, for example, Delhi, Hapur, Ghaziabad, Peshawar and Mardan. And we suggest that the proportion of the overhead charges varying from 75 per cent. in the first 5 years to 25 per cent. during the 15th to the 20th year should be borne by Government till a Reserve Bank is

created, when it should be considered as a legitimate charge on the profits of the Reserve Bank, whose business in rediscounting would be greatly facilitated by the establishment of such warehouses.

154. In describing the system of financing the internal trade in various commodities, we have several times referred to the means of payment and the method of remitting funds for meeting the obligations arising out of the commercial transactions. We may now complete the review by noticing briefly the existing agencies for remittance. The post office is the most common agency and in most places the only one. It is availed of to a considerable extent by merchants and traders who keep their agents at the markets in funds by sending notes of smaller denominations in insured covers. These are sent in amounts not exceeding Rs. 2,000 at a time, which is the maximum limit for which articles can be insured by the post office. The cost of remittance by this method is a little over $2\frac{1}{2}$ annas per Rs. 100, which includes the premium of 2 annas charged by the post office for insurance. This cost is brought down considerably by traders and dealers by cutting notes of higher denomination and sending each set separately in halves insured for a nominal sum. The recent amendment by Government of the Currency Notes (Refund) Rules, 1921, which makes it more difficult to obtain full value on half notes, the other halves of which have been lost, does not appear to have had a prejudicial effect on this method of remittance, as the chances of loss in the post office are small and this is the only method of remittance available in most places where *hundis* and the facilities offered by Government treasuries and banks are not available. The other facilities afforded by the post office for remittance, *viz.*, money-orders, or the value payable system under which the railway receipts for goods sent by rail can be sent to the consignee, are not much availed of, on account of the high cost. The system of money-orders is however popular among the rural and urban classes for remitting small amounts. No trustworthy estimates can be made of the amounts of trade remittances sent through the post office. The total value of money-orders and value

payable and insured articles despatched from these Areas in 1927-28 are, however, given below :—

Areas.	MONEY ORDERS.		Value payable articles despatched.	Insured articles despatched.
	Issued.	Paid.		
	Rs.	Rs.	Rs.	Rs.
North-West Frontier Province*	1,55,53,367	72,78,554	49,76,949	76,09,948
Delhi†	66,88,653	1,32,76,689	90,95,579	65,18,360
Ajmer-Merwara	32,66,795	23,59,565	Not available.	Not available.

Government treasuries function as agencies for remittance by granting supply bills and currency transfers on places where there are no branches of the Imperial Bank of India. Supply bills are given in even hundreds of rupees, the minimum limit being Rs. 1,000. For currency transfers the minimum amount is Rs. 5,000 and these are given in even thousands and are always telegraphic. The charges made for both supply bills and currency transfers are 1 anna per cent. for amounts of Rs. 10,000 and over and 2 annas per cent. for amounts less than Rs. 10,000. In the case of currency transfers an additional charge of Rs. 3 or Rs. 2 is made according as the transfer is to be ordered by express or ordinary telegram.

The following table shows the amount of telegraphic transfers and supply bills issued and paid in 1928-29 by Government treasuries :—

Areas.	SUPPLY BILLS.		TELEGRAPHIC TRANSFERS.	
	Issued.	Paid.	Issued.	Paid.
	Rs.	Rs.	Rs.	Rs.
North-West Frontier Province	25,49,133	1,33,284	62,80,000	1,33,000
Delhi . . . . .	..	39,466	..	56,000
Ajmer-Merwara	5,42,000	400	30,000	5,08,000

* Figures available for 122 post offices.

† " " " " " "

Under its agreement with the Government of India, the Imperial Bank of India provides facilities to the public for the transfer of money between places where it has its branches at rates not exceeding those laid down by the Controller of the Currency. We have no statistical information as to the amount of remittance effected through the agency of the Imperial Bank in the Centrally Administered Areas, but there is no doubt that it is considerable in all places where the Imperial Bank has opened branches. The rates of premium charged by the Bank on transfers are generally the same as those charged by the treasuries, but in the case of joint stock banks it allows concession rates. The bank until recently used to give the concession of free remittance up to Rs. 5,000 to its customers having accounts with it by cashing, free of charge, their cheques drawn on its branches at other places. This concession has been withdrawn recently.

Joint stock banks provide remittance facilities by selling drafts on their branches, clearing cheques for their customers, and by collecting *hundis* with railway receipts from consignees of goods on behalf of consignors. They are the biggest purchasers of *darshani hundis* endorsed by the indigenous bankers, and avail themselves more than any other class of customers of the facilities for remittance offered by the Imperial Bank. The exact amount of remittance work done by these banks cannot be ascertained; but there is reason to believe that it is growing in volume, particularly in Delhi.

The indigenous bankers also play an important part in the internal remittance through their well-known system of *darshani hundis*. The usual procedure is that a merchant, despatching goods to an inland trade centre or to a port town, or a merchant at the port town who has sent goods to an inland centre draws a *hundi*, after railing the goods and sells it, with or without the railway receipt, to a banker who sends it to destination for collection. The rates of discount depend upon the demand and supply of such bills on any particular centre. This is a cheap and convenient form of remittance not only between places having frequent business relations with each other, but also between other places, as *hundis* on big towns like Karachi, Bombay, Calcutta or Amritsar are generally in demand everywhere and are accepted freely in settlement of transactions between

inland towns. We shall have occasion to refer to further details regarding this *hundi* business in our chapter on Indigenous Banking.

We feel that the existing agencies for remittance could be more fully utilised if their activities were properly co-ordinated and the main deficiencies in the general banking organization of the country remedied. A nation-wide mobility of funds is, in our opinion, most vital in this country, in view of the fact that its chief industries are associated with the exploitation of natural resources, its financing season in one industry is often the repaying season in some other, and the seasonal demand for financing in various provinces does not exactly coincide. Owing to marked differences in the banking development between the developed and undeveloped provinces as also between the rural and urban areas in each province, the necessary economy in moving funds cannot, however, be secured unless

(a) there is a rapid development of the branch system or of the agency system under the control of a head office of a parent or affiliating joint stock bank,

(b) the indigenous bankers are intimately linked with the Imperial Bank, with its wide-spread branches and facilities for remittance through the currency chest,

(c) the post office banks are utilised to the utmost extent for remittance work and linked with the system of indigenous banking and financing in the mofussil, and

(d) the institutions for financing agriculture are more closely connected with the Imperial Bank and joint stock banks in the matter of short term loans to agricultural industry. On all these points our recommendations will be found elsewhere. We have mentioned them here only with a view to bring out their intimate bearing on the problem of increasing remittance facilities.

CHAPTER XVII.

INDUSTRIAL AND MISCELLANEOUS CREDIT

AND

INVESTMENT HABIT IN URBAN AREAS.

155. In describing the system of financing internal trade we have described the general credit conditions as they affect merchants and dealers in towns. It now remains for us to notice credit facilities and conditions of credit for industrialists, small traders, members of the middle class, labourers and artisans in the cities. Of the three provinces with which we have to deal, Delhi is in this connection the most important as it has the largest proportion of urban population.

156. The table below shows the number of large industrial establishments during the year 1927 employing more than 20 persons daily, and the average number of persons employed.

	NORTH-WEST FRONTIER PROVINCE.		DELHI.		AJMER-MERWARA.	
	No.	Average No. of persons employed daily.	No.	Average No. of persons employed daily.	No.	Average No. of persons employed daily.
Cotton spinning, weaving and other textile factories.	6	6,029	5	2,141
Cotton ginning and baling	3	105	..	..	20	2,183
Coach building and motor car repairing	1	23	..	..
Electrical engineering and generating and transforming stations.	5	177	3	377	..	..
General Engineering workshops	2	152	4	10,922
Tramway works	1	26	..	..
Foundries	8	271	1	25
Biscuit factory	1	48	..	..
Flour mills	5	242	..	..
Ice and aerated water factories	2	50	1	26
Water pumping station	1	127	..	..
Gas works	1	30	..	..
Oil mills	1	20	..	..
Soap factory	1	23	..	..
Printing, book binding, etc.	7	556	1	75
Government House Workshop	1	50	..	..
Cement, lime and potteries	2	69	..	..
Stone dressing	1	1,215	..	..
Ordnance factories	4	241	..	..	..	..
Gold and silver thread factory	1	30	..	..

We have no means of ascertaining the amount of capital invested in these concerns. Eight out of the 12 concerns in the North-West Frontier Province and 8 out of the 45 establishments in the Delhi Province are owned by Govern-

ment, and the 4 Engineering workshops in Ajmer belong to the Bombay, Baroda and Central India Railway Company. Most of the other industrial establishments are owned by private capitalists and a few are joint stock concerns.

157. Among the Delhi industries, the cotton mill industry occupies the first position. Its other large scale industries are iron industry, gold and silver thread industry, leather and tanning, biscuits, flour mills, soap, potteries and cap-making industries. The rest of the industries are all small scale industries. The requirements of large scale industries are met almost entirely by advances from the managing agents or the owners themselves; while in the case of small industries it is either the merchant who orders the goods, or the indigenous banker or the money-lender who give financial assistance. The temporary requirements in the busy season of both cotton and iron industries are considerable and are met either by advances from the managing agents or by borrowings from the public. Though the Imperial Bank is generally prepared to make loans to industrialists on possession of stock, its rate of interest in the busy season when the cotton industry requires accommodation is 1 per cent. above the bank rate which goes up to 7 or even 8 per cent. in the busy season. There are a number of other factories in Delhi, for instance, the manufacture of brass vessels, silver ware, tin-buttons, real and imitation laces, cotton thread-balls, gold and silver embroideries, coloured pencils, etc.; but there is no particular organisation for financing these manufactures. Private arrangements made by the owners with the capitalists in the city are generally found inadequate and too costly in these days of severe competition in industries, while the co-operative movement has as yet made no attempt to cater to the needs of the small industrialists.

158. The Province of Ajmer-Merwara has no large scale industrial establishments except the cotton mills and wool clearing factories in the town of Beawar. These are adequately financed by the managing agents and the indigenous bankers in Beawar. In addition to these, there are small local industries such as *kashida*, machine work

Large scale industries
in Delhi.

Large scale industries
in Ajmer-Merwara.

dyeing and calico printing works, iron and trunk manufacturing works, tobacco and snuff manufacturing establishments, *biri* making, lace manufacturing and brass works, whose financial requirements are at present met almost wholly by the owners.

159. In the North-West Frontier Province there is practically no large scale industry, except cotton ginning, which is financed wholly by the owners. There are, however, a number of small industries in various towns, for example, *lungi* making, tanning and shoe-making, iron and copper works, weaving, and brick-laying. These are financed partly by the owners and partly by the *sahukars*.

160. Most of the urban industries in these three Areas are suffering more from lack of organisation than lack of finance; but there is no doubt that a stimulus would be given to better organisation if the crippling influence of the present system of financing could be removed. We are, therefore, of opinion that the local Governments should extend to these Areas the benefits of the Madras State Aid to Industries Act with the addition of the provision in the Central Provinces Act for grant, free of charge, or on favourable terms, of the services of Government officials and experts for starting or offering advice in connection with these industries. So far as the seasonal requirements of the cotton mill industry in Delhi are concerned, the only remedy seems to be to induce the Imperial Bank to make its terms for seasonal advances more reasonable.

161. Within the time at our disposal it was not possible for us to make any extensive enquiries regarding the extent and effect of indebtedness of the various classes of the urban population outside the category of merchants or the general conditions of borrowing by the poorer classes in urban areas. But the evidence relating to the city of Delhi leaves no doubt in our mind that the condition of some of the poorer classes of the urban communities in Delhi is even worse than that of the agriculturist in the rural areas. An enquiry conducted in Mohalla Imli, Bazar Sita Ram in the city of Delhi, shows that of 200 families of *khatiks* residing there, 95 per cent. are in debt. Each one of the 100 families of *chamars* and 200-

Large scale industry in the N.-W. F. Province.

Difficulties of urban industries.

Indebtedness of urban population—Delhi.

families of *kahars* and *kumhars* living in the same locality is also in debt. The average debt per family is Rs. 200 per annum, while the average income ranges between 8 annas and Rs. 2 per day. We have no reliable estimate of indebtedness of any other class of the urban community, but we have the general information that grass-cutters, masons, carpenters, *thelawalas*, shoe-makers and workers in the cottage industries are generally heavily in debt. Quite a large number of these poor men in the urban area seem to be more heavily involved than the indebted agriculturists, for while the latter's assets in most cases largely exceed his debt, the former has practically no assets except a few utensils and silver ornaments in the family.

The credit agencies catering to the needs of these communities are *mahajans* and dealers in *rahti* loans in the case of *khatiks*; *Kabulis* and dealers in *rahti* loans in the case of *chamars*; grass-contractors or shop-keepers in the case of grass-cutters; big contractors in the case of *thelawalas*; and the ordinary *bantias* dealing in provisions and grocery in the case of *kahars*, mill-hands, masons and carpenters.

We have definite evidence that the stipulated rates of interest for these classes are sometimes very high. The ordinary rate at which *khatiks*, *kahars* and *kumhars* borrow is $37\frac{1}{2}$ per cent. per annum, while sometimes the stipulated rate of interest goes up to three pies or four pies per rupee per mensem. The *chamars* have to borrow either from the *Kabulis* at the rate of 2 to 3 annas per rupee per month, or under the *rahti* system, which means in effect interest at the rate of $37\frac{1}{2}$ per cent. per annum. The grass-cutters have to pay interest at the rate of 60 per cent. per annum in addition to 3 per cent. extra charges on the amount borrowed. Owing to want of time we have not been able to investigate fully how much of the amount stipulated to be paid as interest is actually realised by the lenders, but the files of a few cases decided in the law courts have been examined by us and they tend to show a wide difference between the stipulated rates of interest and those actually realised by most of the creditors. The general tenor of the evidence given before us, however, raises a strong presumption that in the case of loans on the *rahti* system and those advanced by transborder money-lenders, these rates of interest are actually realised.

These lower classes borrow for various purposes. Some of the *khatiks* borrow to meet the temporary requirements of their business and repay the amount as soon as they are in a position to do so; but some of them borrow also for marriages, death ceremonies, etc., and such loans remain unpaid for a long time as their earnings are barely sufficient to meet their ordinary expenses. The *chamars* borrow mostly because of their improvident habits. The *kahars* and *kumhars* have not to borrow for their every day requirements; they go in for loans mostly for special purposes, such as marriage and death ceremonies, etc. It is not possible to solve the problem of indebtedness of these classes except by means of a system of controlled credit, which will not only limit their borrowing for unproductive purposes but also induce them to borrow for purposes which will increase their income substantially above the present level.

162. Apart from these poorer classes, the small trader in towns and members of the educated middle class find at present considerable difficulty in securing credit on reasonable terms.

Credit facilities in urban areas.

Neither the joint stock bank nor the indigenous shroff cares very much for the small trader who has to depend for finance either on the *artia* or urban money-lender. The educated middle class people, particularly the clerks in Government and Municipal services, borrow mostly for purchase of houses, marriages in the family and education of children. The more substantial among them might have jewellery as well as house property, which could be offered as security for loans; but joint stock banks as well as the bigger indigenous shroffs generally fight shy of such business. Some of them pledge their insurance policies and get advances from insurance companies or borrow from their Provident Fund, but quite a large number of them have no such resources, and having sold their house property or other valuables are drifting into a position that might at any time compel them to have recourse to credit agencies like the Kabuli money-lender. In fact, evidence has been tendered before us to the effect that some of the clerks in the service of the Government of India are actually paying rates of interest varying between $37\frac{1}{2}$ to 300 per cent. The general rate that other persons' earning incomes below Rs. 100 a month have to pay to urban money-lenders in Delhi, however, ranges

between 12 to 24 per cent., 18 per cent. being the most common rate.

163. In Peshawar, the rates of interest are more reasonable. The small traders pay interest at between 12 and 15 per cent. but the labourers pay much higher rates ranging from 20 to 24 per cent. In Ajmer the rate of interest generally charged to the labourers ranges from 12 to 24 per cent., but our attention has been drawn to several cases in which the labourers in the railway workshops in Ajmer, and in the mills in Ajmer and Beawar, have had to pay interest from 2 pies to one anna per rupee per month.

These facts only serve to emphasise what we have said, in our Chapter on Co-operative Movement, regarding the desirability of extending more widely its benefits to the urban population, particularly in Delhi. We feel that there is an urgent need for intensive propaganda in favour of the co-operative credit movement among the urban community in Delhi particularly the following classes:—

- (a) Clerks in the Government of India Secretariat getting salaries below Rs. 200.
- (b) Grass-cutters.
- (c) Masons.
- (d) *Thelawalas*.
- (e) Shoe-makers.
- (f) *Khatiks*.
- (g) Small traders.

We therefore recommend that the co-operative staff in the urban areas of Delhi should be increased and an experienced officer of standing should be deputed to do propaganda and to organise work in the city of Delhi.

164. Much as we like to see a *rapid* extension of the co-operative movement in the urban areas, we do not consider it possible to do so without sacrificing the efficiency of the movement. Other remedies should, therefore, be tried side by side. We have already suggested the regulation of the activities of the Kabuli or transborder money-lender. And we strongly favour the creation of a class of licensed money-lenders for urban areas (in addition to licensed

shroffs) similar to licensed village money-lenders on some such conditions as the following :—

- (i) Every licensed money-lender shall be a member of an association of licensed money-lenders and shall conduct his business in accordance with the rules drawn up by this association from time to time and approved by the Licensing Board for shroffs.
- (ii) He shall keep accounts in the form prescribed by the licensing authority and have them audited at intervals of not more than 2 years by a qualified auditor or a person on the approved list sanctioned by the licensing authority, and shall, on demand by the borrower, furnish him with a statement of accounts from the date of the last statement, not oftener than once in six months,

or

agree to make payments to all his debtors through the post office, or a joint stock bank, or a co-operative central bank or a licensed indigenous shroff notified by the Licensing Board from time to time and receive all payments from his debtors through the same agency.

- (iii) He shall be entitled to a special summary procedure for deciding suits in which he is a plaintiff, so long as he is a member of the association of licensed money-lenders.
- (iv) He shall be entitled to be awarded by the law courts the stipulated rate of interest from the date of the transaction to the date of the actual realisation of his dues, subject to the condition :
- (a) that the court shall declare the decree as satisfied in full when the licensed money-lender has actually realised his principal and interest at 12 per cent. per annum on mortgage debt and 18 per cent. per annum on unsecured debt from the date of the transaction, provided the stipulated rate of interest exceeds the foregoing rates.
- (b) that no evidence of payment by the judgment debtor after the decree shall be admissible in

execution proceedings against the licensed money-lender, except when payment is made through the court or on a receipt signed by the creditor and filed in court within the period of limitation, or through the post office on a special form for payment of decretal amount drawn up so as to show the minimum necessary particulars, or by cheque on a registered bank, or through the *vakil* of the party to whom payment is made.

- (n) All debts of the licensed money-lender shall have priority in the matter of payment to any subsequent loans from other creditors, whether on mortgage security or otherwise.

165. Special credit facilities seem to be required also for the solution of some of the most urgent problems in the city of Delhi, *viz.*, the problem of congestion and that of its milk supply. There appears to be considerable scope for co-operative housing societies in Delhi and we commend to the notice of the Local Governments and the Government of India the view taken by the Madras Government that financial help from Government to housing societies in the shape of loans is not only essential but also proper as representing a legitimate contribution by Government towards the solution of the housing problem and the relief of congestion in towns. We are also of opinion that co-operative milk purchasing societies in the city linked to co-operative sale societies in the rural areas will be a valuable contribution of the Co-operative Department to the solution of the milk problem in the city of Delhi, and that a small initial capital required for co-operative sales societies should be provided by loans from the local Government on the same terms as *takavi* loans.

166. Our recommendations for extension and regulation of credit agencies will be futile unless those who are in a position to save learn to invest their savings in ways that will increase the supply of banking funds. For this we need both propaganda among the public and efficiency in our banking and investment institutions. At present the organised institutions for investment in urban areas are, the post office, co-operative credit societies,

Special credit facilities for urgent problems in Delhi.

Institutions for investments in urban areas.

insurance companies, joint stock banks, the Imperial Bank of India and Government.

The urban clientele of the post office savings banks consists mostly of literate classes specially employees of Government and Local Bodies and professional classes, etc. The following table shows the deposits and withdrawals in the case of the post office savings bank and cash certificates during 1928-29 :—

Area.*	SAVINGS BANKS.		CASH CERTIFICATES.	
	Deposits.	Withdrawals.	Purchases.	Repayments.
	Ra.	Ra.	Ra.	Ra.
N.-W. F. P. (Urban) . . .	37,34,420	33,44,470	4,59,626	3,04,373
Delhi (Urban)	29,64,678	25,68,011	5,45,309	10,34,903
Ajmer-Merwara (i.e., Ajmer, Nasirabad and Beawar towns).	7,49,843	6,09,920	3,66,881	2,10,551

It has been brought to our notice that labourers, shopkeepers, etc., in urban areas are unable to take full advantage of the facilities afforded by post office savings banks as they cannot leave their places of work during their ordinary working hours. To meet the convenience of these classes we have suggested elsewhere that a limited number of post offices in the city areas should be kept open till 8 o'clock in the evening for savings bank business only.

Co-operative banks, by reason of their association with Government and the high rates of interest sometimes offered by them, attract substantial urban deposits. At the end of 1928-29 the Ajmer Central Co-operative Bank had deposits amounting to Rs. 14.81 lakhs. On current accounts its rate of interest was 2 per cent. and on fixed deposits 3½ per cent. to shareholders of the bank and 3 per cent. to others. During the same year deposits in the Delhi Central Co-operative Bank were Rs. 11.21 lakhs. This bank allows interest at 4 per cent. on savings bank accounts and between 4 per cent. to 5½ per cent. on fixed deposits according to the period of deposits, and does not pay interest on current accounts. Even in the North-West

* All heads and sub-post offices and branch offices in the cities of Delhi, Ajmer and Peshawar (including cantonment) have been treated as urban.

Frontier Province, where the movement may be said to be in its infancy yet, the deposits in the Hazara Central Co-operative Bank are growing in volume. This bank pays interest at $3\frac{1}{2}$ per cent. and over on fixed deposits varying with the period of the deposit. It pays slightly lower rates on the fixed deposits of non-members. Its rate of interest on savings bank accounts is $4\frac{1}{2}$ per cent., but the total amount outstanding in these accounts at the end of 1928 was only Rs. 412.

In addition to the co-operative central banks, deposits are received by primary co-operative societies. The non-agricultural credit societies had Rs. 2.56 lakhs in deposits in Ajmer-Merwara and Rs. 33 lakhs in Delhi at the end of 1928-29.

The above figures show that in urban areas the co-operative movement attracts appreciable deposits and adds to the number of institutions in which the urban population can invest their savings.

Insurance is gaining in popularity among the educated classes especially those having fixed monthly incomes. As a provision for old age or for the family after death, secured by periodical payments fixed according to the means of the insured, it offers great advantages to men of limited means. Its value as a means of obtaining credit is also considerable, as insurance companies, and sometimes bankers also, advance money on the security of insurance policies. We have no means of estimating the extent of this form of investment, but our general impression is that while it is fairly popular among the educated classes it may be said to be almost unknown to the general mass of the urban population.

We have not been able to get statistics of bank deposits with the banks operating in these provinces, except the Imperial Bank and one branch of an Indian joint stock bank. But even the available data show that these deposits are considerable, particularly in Delhi, and are nowhere fully utilised in local investments. We shall have occasion to refer to this matter in a later chapter.

Government securities are favoured by certain classes of investors by reason of their easy convertibility into cash and the readiness with which credit can be obtained against them from all lending agencies, including the Imperial

Bank of India, and also because their yield compares favourably with the yield of other forms of safe investment. Facility for the purchase and sale of Government securities are provided by the Imperial Bank of India, the joint stock banks and the post office, the banks charging a small commission for their services. The post office does this business free of charges on behalf of depositors in its savings banks. The Imperial Bank of India gives special facilities to subscribers to new issues of Government loans by advancing a large proportion of the purchase price. Interest is charged on such advances at a rate slightly above the rate of interest on the loan. The amount advanced is repayable in monthly instalments within a period generally not exceeding two years. These facilities are availed of mostly by persons with fixed incomes. The total volume of investment in Government securities in Delhi can easily be judged from the following figures supplied by the Income-tax Department :—

Year.	Interest on Government securities (assessed by the Treasury Officer).
	Rs.
1918-19	66,936
1919-20	58,336
1920-21	44,824
1921-22	77,280
1922-23	82,376
1923-24	1,18,560
1924-25	78,490
1925-26	75,328
1926-27	1,16,053
1927-28	3,36,224
1928-29	5,48,234

Similar figures for the other two provinces are not available.

There are no stocks and share markets in these Areas and the dealings in the shares of the few local joint stock companies appear to be carried on by private negotiation. Investors in the stocks and shares of joint stock concerns in other provinces are supplied with information regarding the prevailing market prices by newspapers; and purchases and sales are effected through local banks. We have not been able to obtain any statistical information as to the amounts invested in this form in the three provinces.

There is no investment trust in these areas and there does not appear to us to be sufficient scope for one; but an investment trust established in big cities, like Bombay and Calcutta, under the adequate safeguards against fraud, is likely to stimulate the investment habit among those who are at present investing their savings in either land or Government securities for no other reason except their inability to judge the value of different forms of investment, particularly Mohamedans who have objections to acceptance of interest but not against receiving profits. The field seems to be a promising one in Ajmer where the Co-operative Central Bank gets a substantial margin of profit by attracting urban deposits at a low rate and investing a large percentage of them in Government securities. In the absence of a big Investment Trust operating over a wide area, the Co-operative Department will be well advised to institute a Co-operative Investment Trust for the benefit of this class of investors rather than allow the Co-operative Central Bank in Ajmer to profiteer at their expense by attracting funds which are not required for financing co-operative societies in Ajmer-Merwara.

167. We are indebted to the National Savings Committee, London, for their circular on the national savings movement in England, copies of which were supplied to us by the Indian Central Banking Enquiry Committee.

National savings movement in England. We are of opinion that there is a promising field for such a savings movement, especially in the urban areas and we suggest that the Co-operative Department and the Economic Development Board, which we suggest elsewhere, should attempt to initiate schemes on the lines which are explained in the following extract from this circular:—

Scheme 2.

Under this Scheme weekly subscriptions are collected from members and invested in National Savings Certificates, a stock of which is thus accumulated. When a member's subscriptions amount to 16s. he receives a certificate from this stock and thus obtains the benefit of a pre-dated certificate.

Each member is supplied with a subscription book in which his payments are recorded and a detailed record of

the transactions of each member is kept by the Honorary Secretary in the registers provided for the purpose.

The National Savings Committee requires an audited statement of the accounts of the association to be furnished annually.

Scheme 5.

Under this Scheme the Association is supplied on credit with six penny coupons (Swastika designs) up to a fixed amount which is known as the Association's standing imprest. The coupons are sold to members who affix them to the special cards supplied for the purpose. Each week the proceeds are invested in Savings Certificates, a stock of which is thus accumulated. When a member's card bears 32 coupons it is exchanged for a certificate from this stock, and he thus obtains the benefit of a pre-dated certificate.

The Honorary Secretary is required to balance his coupon account each week and to keep a Certificate Register but no detailed register of subscriptions is required.

The National Committee accepts a yearly inspection of the accounts of the association in place of Audit.

Scheme 6.

This scheme is designed only for Associations conducted by, or on behalf of, the employees of a firm or company. Complete freedom in regard to the method of collection of subscriptions, account keeping and audit is allowed, provided that the firm or company undertakes responsibility for seeing that the financial interests of the members are adequately safeguarded. No audited statement of account is required to be furnished to the National Savings Committee.

Scheme 7.

Under this Scheme a six penny savings stamp (Britannia Head design) is given in exchange for each subscription of 6d. The stamps are affixed to a Savings Card which, when completed with 32 stamps is exchanged by the Honorary Secretary of the Association for a Savings Certificate at any Money Order Post Office. The keeping of records is reduced to a minimum and no audit is required.

Savings stamps can be bought at any Money Order Post Office, but, if desired, arrangements can be made for the issue of a credit stock of these stamps under guarantee. Such a credit stock is subject to inspection on behalf of the National Savings Committee.

The advantage of pre-dated Certificates is secured by a system of date-labels, which are issued only to Honorary Secretaries. The date-labels required for pre-dating a single Certificate are date-stamped at the Post Office whenever 32 savings stamps (value 16s.) are bought by an association. When a member obtains a Savings Certificate from the Association in exchange for his completed card, a date-label is affixed to the Certificate, which then dates from the date borne by the date-label instead of from the date on which the certificate was bought at the Post Office.

Scheme 9.

Under this Scheme each member undertakes to save a fixed sum weekly for investment in Savings Certificates in order to accumulate an agreed total, which will be reached in just under 15 years. The employer for his part undertakes that, in the event of the member's death while in his service at any time during that period he will make up the member's savings to that agreed total, which will be paid to the deceased member's legal personal representative or next of kin.

The employer can cover his liability by insurance at very small cost. A number of Insurance Companies are prepared to issue policies in connection with this Scheme.

Members' weekly subscriptions collected from members are invested in National Savings Certificates which are allotted to members as they complete payment for them. The actual certificates, however, are held by the Money Order Department of the General Post Office in the name of the Association until their issue or repayment is required.

The affairs of the Association are conducted by a committee of management representing the employer and the employees.

Scheme 10.

Under this scheme, which is limited to employees whose pay does not exceed £300 per annum or £6 a week, a

member undertakes to save regularly each week for investment in National Savings Certificates. The employer undertakes to provide for the member one additional Saving Certificate every time the member himself completes the purchase of a fixed number, the ratio being determined by the employer—it may be one additional Savings Certificate for every 4, 6, 8 or other number of Certificates purchased by the member through the Association. Additional Certificates presented by the employer do not become the member's own property until he has completed 5 years' membership of the Association.

The Savings Certificates purchased by or on behalf of members are allotted to members as they become entitled to them. The actual certificates, however, are held by the Money Order Department of the General Post Office in the name of the Association until their issue or repayment is required.

The affairs of the Association are conducted by a committee of management representing the employer and the employees.

CHAPTER XVIII.

TRANSBORDER TRADE.

168. The bulk of India's trade with its neighbouring countries on the North-West Frontier passes through Peshawar and the Khyber Pass. Part

Introductory.

of it crosses the Peiwar Kotal into the Kurram valley and thence to Kohat and a part through the Gomal Pass and Tochi Valley to Dera Ismail Khan and Bannu. The principal foreign markets having dealings with Peshawar are Kabul and Bokhara. Silk, carpets, shawls, furs, fruits both fresh and dry come from Kabul for export to other parts of India, and piece-goods, cambrics, tea, sugar, spices are exported to Kabul and transborder countries. From Bokhara come lace and gold and silver thread mainly for export to Kashmir, whence the return trade is principally in shawls. Goods from and to transborder countries are transported mostly by caravans which come to, or leave, Peshawar once a week in summer and twice a week in winter, but in recent years motor lorries are coming increasingly into vogue.

169. The total value of imports from transborder countries during 1924-25, the latest year for which figures are available, was 113 lakhs while exports to these countries amounted to Rs. 222

Imports and exports.

lakhs excluding treasure. Of the total imports, Northern and Eastern Afghanistan contributed 51 lakhs, Dir, Swat and Bajaur 35 lakhs, Southern Waziristan 10 lakhs, the balance being contributed by Northern Waziristan, Buner and Turis of Kurram. During the same year exports to Northern and Eastern Afghanistan amounted to 136 lakhs, to Dir, Swat and Bajaur Rs. 52 lakhs, to Turis of Kurram 14 lakhs, and to Tirah 13 lakhs, the remaining going to Waziristan and Bunner. The following tables give further details regarding principal commodities imported and exported during 1924-25 :—

Commodities.	Quantity.	Value in lakhs of rupees.	Names of countries contributing the larger shares.
IMPORTS	Mds.		
Cordage rope	23,000	2.04	Northern and Eastern Afghanistan and Southern Waziristan.

Commodities.	Quantity.	Value in lakhs of rupees.	Names of countries contributing the larger shares.
<i>IMPORTS—contd.</i>			
	Mds.		
Cotton raw	5,000	2-50	Northern and Eastern Afghanistan.
Fruits, vegetables and nuts	122,000	29-78	Ditto.
Food grains	187,000	9-57	Dir, Swat and Bajaur.
Hides and skins	29,000	8-69	Dir, Swat and Bajaur and Southern Waziristan.
Mats	261,000	2-73	Northern and Eastern Afghanistan and Southern Waziristan.
Ghee	33,000	21-77	Dir, Swat and Bajaur and Northern and Eastern Afghanistan.
Timber	2,984,000	9-48	Southern Waziristan and Tirah.
Wool, raw and manufactured.	22,000	5-09	Northern and Eastern Afghanistan.
Shawls . . . . .	..	7-24	Ditto.
<i>EXPORTS.</i>			
Apparel . . . . .	..	5-04	Northern and Eastern Afghanistan.
Cotton twist and yarn, European	11,000	22-61	Ditto and Dir, Swat and Bajaur.
Cotton (Indian)	9,000	5-76	Northern and Eastern Afghanistan.
Piece goods, European	32,000	76-66	Northern and Eastern Afghanistan and Dir, Swat and Bajaur.
Piece goods (Indian)	19,000	24-33	Ditto.
Indigo	6,000	5-01	Northern and Eastern Afghanistan.
Food Grains	109,000	4-84	Southern Waziristan and Tirah.
Lac	5,000	6-18	Northern and Eastern Afghanistan.
Leather manufactured . . . . .	..	6-34	Ditto.
Salt	159,000	3-60	Dir, Swat and Bajaur.
Spices	9,000	3-26	Northern and Eastern Afghanistan and Dir, Swat and Bajaur.
Sugar, raw and refined	58,000	7-15	Ditto.
Stationery . . . . .	..	6-53	Northern and Eastern Afghanistan.
Tea green (Indian)	11,000	6-42	Ditto.
Tea green (Foreign)	12,000	18-80	Ditto.
Tea black (Foreign)	5,000	2-55	Ditto.
Wool raw and piece goods	5,000	4-78	Ditto.

The imports of treasure consisted mostly of silver Rs. 4,26,909 in 1922-23 and Rs. 82,530 in 1924-25. There were no exports of silver in 1922-23 and 1924-25 and no figures are available for 1923-24 either for imports and exports.

170. Among the imports the most important are the dry and fresh fruits of Kabul. Till lately the city of Peshawar was the only *mandi*, or market, for this trade; but to a certain extent Thal has also now become a market for this commodity. The dealers in dry fruits are partly Kabuli merchants or their agents, who come down to sell the goods personally in Peshawar, partly Peshawari merchants and partly Punjabis who have settled down in Peshawar. Payment is generally made by means of currency notes which are used again for the purpose of purchasing goods intended for export to Kabul; so that in effect the trade between Peshawar and Kabul is very largely based on a system of barter. Generally the dealer who purchases dry fruits from the Kabuli sellers acts also as his agent for purchasing goods for which there is a market in Kabul. Fruit brought from Kabul is sold by *dharwais* in the presence of Kabuli dealers or their agents who bring it to the *mandi* in Peshawar, and when the market price is settled the *dharwais* pay the entire amount in advance to the sellers recovering every week the amount due from the local purchasers who are generally commission agents on behalf of fruit dealers in Bombay, Calcutta and other big towns in India. The risk of trade is thus mostly with the dealers in Indian towns, on whose behalf fruit is purchased in Peshawar.

171. There is a considerable trade in carpets in the city of Peshawar. The carpets are imported both from Kabul and Persia. The agents of the Kabuli merchants who sell carpets to local dealers in Peshawar receive payment mostly in cash but they also accept *hundis* at times. The agent of the foreign dealer in carpets purchases, with the proceeds of the sale, goods for export to Kabul; but it is quite a common thing for *hundis* to pass between Kabul and Peshawar as a medium for payment. So far as trade in carpets with Persia is concerned, remittances are made either through bank drafts or *hundis*.

172. Fur is imported into Peshawar from Afghan Turkistan, mainly from the town of Mazar. Payment is made for these furs through Kabul

Fur trade. either by means of goods sent to Kabul or *hundis* on merchants in Kabul, mostly on Hindus and Peshawari merchants who carry on business there. The *hundis* are generally payable 5 to 10 days after sight. The furs are sold either in Peshawar or sent for sale to commission agents in London. The exchange banks finance the export trade in fur and give advances on the security of the fur exported, to the extent of 75 per cent. of its market value. The Commission agent in London accepts the bill on behalf of the Peshawar merchant in furs, and meets it on the due date, which is generally 90 days after sight, out of the sale of furs.

173. The whole system of transborder trade thus centres round the commission agent. He earns his commission at the rate of 1 per cent. In

Commission agent. addition to this, he charges interest varying from 6 to 10 per cent. per annum from the date on which the goods are despatched. As a rule a Mohammedan commission agent does not charge any interest but presses for cash payment for the goods supplied. All recover from their clients the expenses incurred in sending goods and it is generally believed that this leaves them a margin of 2 to 4 annas per cent. on the value of the goods supplied. The more substantial among them keep a large stock of goods likely to be required by their principles in Kabul. They are thus able to secure for themselves in addition to their commission charges, interest and the margin included in expenses of moving goods, and the difference between the cost price and the market price of the goods supplied to their clients. Their profits should thus be substantial; but they complain that owing to the absence of facilities for recovery of debts in transborder territory, their position has of late deteriorated.

174. Most of the firms in Peshawar trading with Afghanistan have branches in Kabul and other important centres, and are financed partly by **Trade with Afghanistan.** local banks and partly by shroffs. The finance for the export of skins, hides and carpets is supplied mostly by the exchange and joint stock banks who pur-

chase bills of exchange drawn by local firms on merchants in Europe and America. The Imperial Bank of India is precluded by the terms of its Act from transacting this class of business.

175. There is an appreciable amount of business in exchange of coins in a number of places in the North-West Frontier Province, for example, Bannu, Dera Ismail Khan, Kohat, Thal, Parachinar and Peshawar. In Peshawar alone there are 21 shops dealing in this exchange business, and it is estimated that the business done on an average is about Rs. 20,000 a day in the slack season, while in the busy season it goes up sometimes to one lakh of rupees in a day. The Kabuli coin varies in value, the minimum being 36 and the maximum 48 Indian rupees for 100 Kabuli rupee coins. Mushadi rupee varies in value between 41 and 55 Indian rupees per 100 Mushadi rupees. The rate of exchange between the Indian rupee and the Mushadi and Kabuli coins changes every day, sometimes even 8 times during the course of a day. The currency notes of British India are freely accepted even in Kabul. This exchange business is entirely in the hands of Hindus.

CHAPTER XIX.

EXISTING LEGISLATION AND LEGAL PROCEDURE AND THEIR BEARING ON CREDIT AND CREDIT FACILITIES.

176. The agriculturists in all the three provinces with which we have to deal are protected by special legislation on the lines of the Punjab Land Alienation Act, XIII of 1900. In Delhi and the North-West Frontier Province permanent alienation of agricultural land is not allowed without the sanction of the Collector unless the alienee is a member of the same tribe or of a tribe in the same group; while in Ajmer-Merwara all permanent alienations of agricultural land require sanction of the district authorities. Mortgage of land to non-agriculturists is permissible only if it provides for automatic redemption within a period of 20 years. Conditional sale in favour of non-agriculturists is not permissible and the sale of the agriculturists' land in execution of a decree, or order of any civil or revenue court, is prohibited. In Ajmer-Merwara, the protective customs, having the force of law in favour of the *istimrardars* are even more drastic, in accordance with which the debts of an *istimrardar* cease on his death and are not a charge on the estate of the deceased. None of these restrictions, however, apply to land belonging to non-agricultural classes.

We have had considerable evidence for and against the fundamental principle on which these special protective laws and regulations are based. The issues raised are not merely economic but political also; but we feel that we are not concerned with the political objects of these Acts. On principle, some of us are opposed on economic grounds to the basic assumption underlying them that an agriculturist is born and not made, and to the exclusion of men with money, enterprise, and sometimes even scientific knowledge from the premier industry of the country. We do not, however, propose to deal with even these wider economic issues, as we are not a Committee appointed to deal with *all* the economic effects of the Punjab Land Alienation Act. We wish to confine ourselves *strictly* to what is germane to our enquiry, namely, the bearing of

these Acts and Regulations on the credit of the agriculturist, the extension of credit facilities for the benefit of the agriculturist, and the expropriation of the peasant proprietor.

There is no doubt that this protective legislation has affected adversely the credit of the agriculturist with the non-agriculturist lenders; but so far as this restricts borrowing for wasteful purposes, this was exactly what the Punjab Land Alienation Act was intended to achieve. Unfortunately, the agriculturist lender—frequently a mortgagee with possession—is, to an appreciable extent, replacing the non-agriculturist money-lender in the rural areas. The law affords the small peasant proprietor no protection against this new class of creditors; in fact, it gives to the agriculturist creditor a privileged position and enables him to profit by the restricted market for the sale of land. His terms are in no way less onerous than those of the non-agriculturist money-lender. He can acquire land and is inclined to take possession of it at the earliest opportunity. It is, in fact, far more economic for the agriculturist who borrows money from an agriculturist creditor to sell a portion of his land outright than to continue to pay the prevailing high rates of interest and part with the possession of land in favour of a party against whom the Land Alienation Act affords him no protection. Some of the advocates of protective legislation, who appeared in evidence before us, therefore, pressed for enlarging the scope of these Acts so as to put a check on the agriculturist lender and prevent the expropriation of the small peasant proprietor. The figures relating to mortgages with the agriculturists lend considerable support to this plea, but we are not inclined to be alarmists in view of the rising prices of land which tend to enable the peasant proprietor to redeem a larger area under old mortgages and to remortgage a smaller area for a larger sum. But there is another, and in our opinion a more weighty reason, in favour of putting a restriction on the powers of the more prosperous *zamindars* to purchase more land from the less well-to-do peasant proprietors. Whenever an agriculturist has any surplus, he invests it not in capital improvements on land or in intensive farming, but in purchasing, or in taking on mortgage with a view to purchasing eventually *more* land, which under the existing economic conditions and methods of farming, sometimes

yields to an honest cultivator and proprietor much less than the interest rates offered by banks, particularly co-operative credit societies, or the net yield from Government securities. The protection of the small peasant proprietor against the bigger agriculturists who may be tempted to take undue advantage of their privileged position under the Land Alienation Act to exploit the necessity of the smaller agriculturist and to expropriate him will, therefore, tend to divert rural savings to more profitable investments, and by augmenting them mitigate the existing scarcity of banking funds in the rural areas, which is, in our opinion, one of the major causes of the high rates of interest which the poorer agriculturist is often obliged to pay. With a view to protect the small agriculturists or peasant proprietors and in order that the Land Alienation Act, or the Land Alienation Regulations, should operate to their full advantage, and at the same time divert the savings of the bigger land owners into more profitable channels of investments, we recommend that the agriculturists whose holdings fall short of the standard of an economic holding, to be determined with due regard to local conditions, should have power to alienate their holdings only in favour of those agriculturists who own 50 acres of land or less, and that alienations by such persons in favour of those agriculturists who own more than 50 acres of land should require the permission of the Collector, which should in our opinion be purely formal in case it is found necessary for the owner of the uneconomic holding to sell his land and either the price offered by those owning less than 50 acres is not adequate or no purchaser from this class is forthcoming.

While the members of the Committee are unanimous as to the objects in view, they are divided in opinion as to the details of this recommendation. Mr. Chablani would put the limit at 20 acres in the case of Ajmer-Merwara and Delhi on the ground that the limit of 50 acres would afford no real protection against the majority of the agriculturist money-lenders in these provinces. Nawab Major Mohammad Akbar Khan strongly urges that in view of the peculiar tribal conditions existing in the North-West Frontier Province the scope of the restriction proposed in the above recommendation should be limited in the case of his Province, to sales in favour of transborder buyers and members of tribes other than that to which the selling agriculturist belongs, and that it should not apply to land

owners, big or small, who are members of the tribe to which the vendor belongs. The majority of the Committee, including the Chairman, Mr. Gray and Lala Bal Kishen fully endorse the Hon'ble Nawab's point of view and are in favour of the modification he proposes for the North-West Frontier Province.

We are aware that this additional protection by itself cannot solve the problem of the poorest class of peasant proprietors and may even aggravate the difficulties of some of them. No useful purpose is served by seeking to prevent the expropriation of those whose holdings are so uneconomic that they cannot possibly make a living out of it. Any further restriction of the market for the sale of land might in certain cases close the only door of escape from their present uneconomic ways of living. The Land Alienation Act contemplates permission being given by the Collector at his discretion in certain cases. That discretionary authority is meant to be exercised judiciously and not held in abeyance for ever. The Land Alienation Act and the rules under it are intended to promote the economic welfare of the peasant proprietor and not to make his economic position worse. Expropriation of the small peasant proprietor is not an evil under all conditions; and, if in any particular case ample guarantees are forthcoming that the proceeds of the sale of his land in a free market will be invested in ways that would increase his income and better his lot, there is no economic justification whatever for throwing obstacles in his way and compelling him to accept a lower price from an agriculturist. We are fully conscious of the fact that this policy would throw great responsibility on the Collector of the district, but this does not appear to us to be a valid argument against such a change in the existing practice. The legal responsibility on the Collector is already there in the Act, and no protective legislation or any ameliorative measure for the benefit of the agriculturist can possibly operate successfully without wise exercise of the discretion vested in responsible officers. We, therefore, suggest that in Ajmer-Merwara and Delhi the discretion vested in the executive authority, under the Land Alienation Act or Regulations, to give permission to agriculturists to sell their land should be more *freely* exercised, subject to the right of pre-emption in favour of members of agricultural tribes who cultivate the land themselves, provided the applicant can

get a price which is not less than 20 times the annual *net* return from the land, and provided that after discharging his debts he agrees to invest for at least ten years the proceeds of the sale in securities approved by the Collector. We are not in favour of extending the operation of this suggestion to the North-West Frontier Province as we feel that it would not suit the peculiar conditions prevailing in the rural areas of that Province.

We have already given in a previous chapter some statistics which tend to show that the bulk of the agriculturists' borrowings are for productive and necessary purposes. Restrictive legislation can improve the position only so far as it reduces borrowings for wasteful and undesirable purpose. But it will make the rates of interest more onerous than before, unless side by side with this restrictive legislation, ample credit facilities are provided for borrowing at reasonable rates for productive and necessary purposes. The agencies that we have recommended for this purpose are the *licensed mahajans*, co-operative credit societies and land mortgage banks; but the efforts at cheap credit for productive and necessary purposes are bound to fail, unless the security of the borrower substantially improves. Whatever reasons may exist for protecting the agriculturist against the private money-lender—agriculturist and non-agriculturist—we see no reason why the security offered by him should be lowered for creditors, like co-operative credit societies and land mortgage banks, which are created specially for the purpose of helping the agriculturist in every possible way. We are, therefore, of opinion that subject to the safeguards we have recommended elsewhere, these institutions should be classed as agriculturists for the purposes of the Land Alienation Act and that the same restrictions as are imposed upon the agriculturists in respect of the parties to whom they can sell their land, should be imposed also on these co-operative credit societies and land mortgage banks. Our colleague, Kanwar Motilal, wishes to extend this privilege to licensed money-lenders and licensed indigenous bankers also. Similar considerations suggest, in our opinion, the desirability of relaxing section 29 of the Land and Revenue Regulations, No. 2 of 1877, in force in Ajmer-Merwara when the *istimrardar's* creditor is a co-operative credit society or a land-mortgage bank, a licensed indigenous banker, or an Indian joint stock bank.

177. The Civil Justice Committee invited attention to the fact that when holdings are non-transferable, "Insolvency Law is apt to be a means whereby agriculturists can evade the payment of just debts notwithstanding their ability to pay" and stated in the concluding sentence of paragraph 23, Chapter XIV, of their report: "We think that the Insolvency Law required special adaptation to circumstances of the kind above described; this has never been attempted". We endorse these remarks and are of opinion that time has come when such an attempt should be made in the interests of the development of banking and credit facilities in these provinces. Credit depends essentially on sound security, and good security makes it possible to lower rates of interest. The main asset of the agriculturists is their land; and as has been pointed out in the previous chapter very few of the proprietors of land are insolvent, judged by the value of their total assets including land. Intensive enquiries show that a large number of even heavily indebted owners of land have got assets worth more than twice or much more than twice their debts; and it is not fair to such agriculturists, who desire above all cheap credit, that their credit in the market should be lowered and the rates of interest raised by the inclusion of insurance against risk. Nor is it fair to their creditors, who lend them amounts far below the value of their total assets, that there should be any doubt that their main security will be available for the discharge of their legal liabilities in case of any mishap. Our recommendations for increase of banking facilities for the landed class would prove infructuous if these doubts are not removed at an early date. We, therefore, suggest that lands belonging to insolvent agriculturists should be declared to vest in the official receiver who may dispose of them to other agriculturists to whom the insolvent himself could have sold the land under the Land Alienation Act or Regulations.

178. There is a general complaint, supported by reliable evidence, that the present Insolvency Law makes it too easy for dishonest debtors to defraud their creditors. This cuts at the very root of commercial credit, and something must be done at a very early date to restore con-

Existing defects in Insolvency Law.

fidence among the bankers if banking facilities are to be extended. We have had no time to find out all the defects in the existing Insolvency Law and the legal procedure relating thereto; but there is not the slightest doubt that general dissatisfaction exists with regard to it. It has been suggested in the course of the evidence before us that none should be adjudicated as an insolvent if he has been guilty of an act of bad faith in regard to monetary transactions, and we agree with the suggestions that the Insolvency Law should be amended accordingly. Elsewhere, in connection with our proposal to create a special class of licensed indigenous bankers, we have already recommended that in all cases of applications for declaration of insolvency by such persons, the courts of law should be bound to ask the local Shroffs Association to allow a Committee of four or five persons to examine and audit the account books of the licensed indigenous bankers, and investigate the applicant's fitness to be declared an insolvent before adjudicating him an insolvent. But we feel that these recommendations are not adequate for the protection of the general lending public, and we, therefore, suggest the desirability of eliciting the considered opinions of the Bar Associations and the Judiciary on further amendments to Insolvency Law.

179. The Indian Usurious Loans Act of 1918 is modelled generally on the lines of the English Moneylenders Act, though in scope the former is much wider than the latter, since a transaction by a firm carrying on *bonâ fide* business, not having for its primary object the lending of money, in the course of which money is lent, is excluded from the operation of the English Moneylenders Act, but not from the Indian Usurious Loans Act. Under its provisions, if a law court has reason to believe that in any suit, whether heard *ex-parte* or otherwise, the interest is excessive, and the transaction was as between the parties thereto substantially unfair, it can reopen the transaction, take an account between the parties, relieve the debtor of all liability in respect of any excessive interest notwithstanding any agreement purporting to close previous dealings, and order the creditor to repay any sum which it considers to be repayable to the debtor or to indemnify the debtor in such manner and to such extent as

it may deem just, provided that it shall not reopen any agreement purporting to close previous dealings which have been entered into by the parties concerned at a date more than 6 years from the date of the transaction.

From the evidence tendered before us and from enquiries made from judicial officers, it is not possible to make a general statement as to the exact extent to which the aid of the Act is invoked in different parts of the North-West Frontier Province. The Divisional Judge, Peshawar, Mr. J. Almond, writes: "Advantage of its provisions is frequently claimed and sometimes allowed in original courts, but the findings in such cases have invariably been reversed. In this province, where the Pathan population is in great preponderance and the money-lender is largely dependent on the landlord class for a home and protection, the money-lenders rarely charge more than what has been held judicially to be a normal rate of interest, namely, 2 per cent. per mensem, and if a larger rate has been agreed up on, the plaintiff generally reduces his claim in the court to 2 per cent. The actual number of cases in which the advantage has been claimed can only be ascertained by inspection of all money suits, which would be a laborious task, but I should say it is about 70 per cent. of the money suits instituted. It has in fact become almost a formal plea in all such suits." The Additional Divisional Judge, Peshawar, endorses the views of Mr. Almond. On the other hand, the District Judges, Banu, Hazara and Dera Ismail Khan report that there have been very few occasions on which use has been made of the Usurious Loans Act of 1918. The Additional District Judge, Ajmer-Merwara, states that no case necessitating the use of the Usurious Loans Act of 1918 had come before him during the 10 years he had held charge of the post. The Judges in Delhi mention only a few cases in which use has been made of the provisions of the Act and state that in some of the cases advantage was claimed of the provisions of this Act in the beginning but it was not pressed to the end. The cases generally are said to be between professional money-lenders and the agriculturists. The main reason for the limited use of the provisions of the Act thus appears to be the limited number of cases in which the rates of interest charged appear to the courts to be "in excess of that

which the court deems to be reasonable having regard to the risk incurred" by the creditor on account of the "presence or absence of the security and the value thereof, the financial condition of the debtor and the result of any previous transaction of the debtor by way of loan, etc." One of the Judges in the North-West Frontier Province suggests as one of the causes, "the congestion of work in the courts on account of which the courts have rarely time and patience to go through the intricate accounts of the money-lenders to disentangle facts". If this be a fact, it can easily be remedied by strengthening the subordinate judiciary; but the general trend of the evidence on legal matters and procedure seems to suggest that most of the borrowers are anxious to gain time and find other pleas in defence far more effective for the purpose of delaying the decision of the suit. Another reason why only a limited use can be made of the provisions of the Act is due to a fundamental defect in the Act itself. The Act gives no definite guidance as to what is and what is not a usurious rate beyond laying down general considerations which should be borne in mind by the courts. The courts of law are not the appropriate authority for judging the trend of money-market conditions or the nature of the security. The risk of non-recovery cannot be estimated at the time of deciding the suits; and so wide is generally the difference between the stipulated rates and the actually realised rates of interest that the decision of a court at this stage can only be arbitrary. We feel that these defects are incurable unless a body of licensed money-lenders and an association of indigenous shroffs are created, who should get their accounts audited and who should be free from interference by the law courts in the matter of rate of interest, except at the time when repayments are actually made. Our detailed recommendations on all these points will be found elsewhere.

180. The evidence before us discloses several legitimate complaints of creditors against the practice of the law courts in awarding interest on money lent.

Award of interest by
law courts.

In the case of money suits, some courts do not generally allow interest during the pendency of the suit, and when in a few cases they do, they allow it at a standard

rate of 6 per cent. This practice makes it profitable to a debtor to force his creditor into court and to prolong the case as much as possible. Courts apparently do not make a distinction between a usurious money-lender, a banker or a merchant, or a fair minded money-lender who has charged a reasonable rate of interest, and treat all alike causing unmerited loss to many.

It is again common for the courts to award no interest after the decree, with the result that it is to the interest of the debtor to prolong the execution proceedings as much as he can and to evade payment as long as it is possible for him to do so.

*The post-war monetary conditions have pushed up the market rates of interest appreciably higher than the rates prevailing in pre-war days; but the rate of interest awarded under section 80 of the Negotiable Instruments Act and under section 35 of the Civil Procedure Code continues to be the same as in the pre-war days, *viz.*, six per cent. per annum.

We are of opinion that in the interests of banking development this state of affairs should be remedied. Credit at reasonable rates is impossible so long as the lender has to insure against possible unfair treatment in the law courts. We therefore recommend that—

- (a) Section 34 of the Civil Procedure Code should be amended so as to provide that the rate of interest ordered in the decree should be the contract rate (if it is not inequitable) on the principal sum from the date of the suit till the date of the decree and again from the date of the decree till realisation, and if the contract rate is inequitable, then at such rate as the court considers to be equitable.
- (b) In view of the post-war monetary conditions, section 35 of the Civil Procedure Code should be amended so as to empower the courts to allow interest on costs at a rate higher than 6 per cent. if they consider it reasonable to do so.
- (c) The rate of interest under section 80 of the Negotiable Instruments Act might be raised from 6 to 9 per cent. per annum.

181. Advances against the security of property cannot be made with confidence if there is any room for doubt as to the validity of the borrower's title to property. The record of rights over agricultural land is simple in form and if properly kept should avoid all possibilities of dispute. The record of mutations is, however, said to be slow and as a remedy it has been suggested that the registration offices be required to send intimation of all mortgage and sale deeds registered by them to the revenue authorities for having the mutations carried out, and that *patwaris* be encouraged to be more zealous in entering mutations by paying them a portion of the mutation fee levied. Doubts about title to non-agricultural land in rural areas and to landed property even in the city are not a little responsible for the unwillingness of bankers and other lenders of money to advance amounts against mortgage of property. We have therefore suggested the maintenance of a land register for house property both in the urban and rural areas in connection with our proposal to establish land mortgage banks.

We recommend further the adoption of a system whereby any one should, by application, be able to have his name entered in a special column in the Record of Rights or Land Register by way of caution to prospective mortgagees and purchasers; no one except a minor being allowed in the absence of such entry to set up any title to landed property recorded in the name of another.

182. Another legal difficulty has been brought to our notice in respect of debts incurred by the head of a Hindu joint family, governed by the Mitakshara law, on the security of the family property. Such debts are not binding on the other members of the family unless they were incurred for the benefit of the family; and the burden of proving that they were so incurred lies on the creditor. When the claim is taken to court it is frequently pleaded that the debt was incurred for immoral or illegal purposes, and the plea, even if not successful, at least delays recovery and causes great harassment to the creditor. As a result there is reluctance on the part of bankers to supply credit even to substantial families. In this connection we have had the benefit of the considered views of the Judicial

Officers in Bihar and Orissa, for a copy of which we are indebted to the Bihar and Orissa Provincial Banking Enquiry Committee. After considering these views, we are of opinion that the law should be suitably altered so as to provide that in all mortgage transactions with Hindus governed by Mitakshara Law an enquiry made by an officer of a joint stock bank or of a land mortgage bank, or by an executive officer authorised in this behalf by the local Government, should be incorporated in the bond and be considered as *prima facie* evidence that reasonable enquiries were made by the creditor regarding the necessity for the loan, thereby shifting the onus from the plaintiff to the defendant.

183. When several properties are mortgaged by one bond, and the debtor wishes to satisfy his creditor by selling one or more of them, he is at present unable to get a proper price for the property, or properties, which he wishes to sell so long as the creditors' mortgage holds good, while the creditor cannot allow the mortgage on any of the properties to be released, without running the risk of having to press his claim on the remaining properties in a money-suit instead of in a mortgage suit. To meet such cases we suggest that the value of each property should be separately noted in the bond and the lien split up and mentioned separately so that a debtor could satisfy the debt and redeem his property piece-meal.

184. Finally, we have the bitter complaints against the proverbial delays of the law courts, particularly in execution proceedings. Even the judicial officers make no secret of this state of affairs. The measure of the evil can be easily judged from the fact that a district judge has no hesitation in saying that "the period generally taken in realising a decree on a pro-note is not less than 5 or 6 years at the average". It is idle to talk of increasing banking facilities and lowering the rates of interest in an area in which this state of affairs prevails. The Civil Justice Committee has fully dealt with this matter; and we have nothing useful to add to what they have recommended. We are not a Committee of lawyers and judges; but speaking as laymen, we are not at all impressed by the attitude of despair adopted by some of the Judges who have favour-

ed us with their views. The evil is admittedly great, and some remedy must be found for it. No strong superstructure of banking and credit can be established on the foundations of non-recovery or inordinate delay in recovery of loans. Even investment in gold and silver ornaments is more economic than loans which are either irrecoverable, or recoverable with great difficulty and after inordinate delays. The greatest service that the Judicial Administration can render to banking is to devise a suitable remedy for quicker recovery of dues from the debtors. Until this is done, no great development can be achieved.

CHAPTER XX.

MORTGAGE BANKS FOR LONG TERM CREDIT IN RURAL AND URBAN AREAS.

185. We have already cited facts and figures to prove that the existing system of agricultural credit lacks facilities and suitable machinery for providing long term credit to agriculturists, for which there is an appreciable demand in the rural areas. We have also noticed that a very large portion of the annual savings of the agriculturist in normal years is invested in land and in house property which in the absence of suitable banking facilities for long period loans cannot be mobilised as the basis of adequate credit in any emergency. In the urban areas likewise it is a common thing in prosperous years for a merchant or even a banker to invest heavily in house property, which in a period of commercial depression or in case of need cannot be made the basis of adequate credit in the money market. Joint stock banks, including the Imperial Bank avoid locking up their resources in immovable property, and the existing mortgage law and legal procedure make it very difficult to recover mortgage loans without undue delay. Well-known commercial firms have sometimes been obliged to go into liquidation not because the normal values of their assets locked up in immovable property are insufficient for the discharge of their debts but only because no adequate banking facilities are available for the purpose of fairly long period loans on the security of immovable property. Except a few indigenous bankers and investors, who have surplus funds of their own to be invested in immovable property and who charge heavy rates of interest to cover the necessary insurance against risk of loss and delay on account of the uncertainty surrounding the title to landed property and the longdrawn-out legal proceedings in mortgage suits, there are no credit institutions specially designed for mortgage credit whether in the rural areas or in the cities. We are, therefore, of opinion that it is necessary to provide adequate facilities for long period loans both in urban and rural areas at an early date. Two of our colleagues, Mr. Gray and Kanwar Moti Lal, do not think it at all necessary to create

a separate agency for this purpose and consider that the existing credit agencies will prove quite adequate to meet the demand for long period loans, if only effective facilities for recovery of loans on mortgage of property are provided. The majority, consisting of the Chairman, Nawab Major Mohammad Akbar Khan, Mr. H. L. Chablani and Lala Bal Kishen, are, however, of the opinion that it is against the principles of commercial banks or commercial bankers to lock up their funds in long period loans when their deposits are largely for short-periods, and that the only satisfactory solution of the problem will be a land mortgage bank, attracting funds for long periods and investing them in long period loans on mortgage of property.

186. Neither the majority nor the minority are under any illusion as to the extent of the field for mortgage institutions in the Centrally Administered Areas. They all feel that land mortgage banks run on safe lines will have only a limited scope for legitimate business in the rural areas of these provinces in view of the following considerations:—

A limited field for mortgage institutions?

- (i) A considerable portion of the amount borrowed by the agriculturist is for seasonal purposes or for tiding over occasional scarcity, and no long term credit facilities are required for this portion of the agriculturists' debt.
- (ii) A certain amount of credit is demanded for wasteful purposes and no long-term credit facilities should in the interest of the agriculturists be provided for these purposes.
- (iii) There is an appreciable demand for loans for purchase of land which at the present inflated value of land does not yield more than the most reasonable rate of interest on which long term credit can be available. Except in exceptional circumstances, it is not, therefore, economic for the agriculturist to purchase land with money borrowed on the mortgage of his land; and any further facilities in this direction are undesirable.
- (iv) It is not an economic proposition for families with a heavy mortgage debt to borrow money

even at 8 per cent. for the purpose of redemption of land and houses. Long term credit is needed only for families with a light mortgage debt.

- (v) There is no appreciable demand for loans for improvement of land which cannot be satisfied by popularising *takavi* loans, which are available at far cheaper rates than any land mortgage bank can afford to charge without a subsidy from the general tax-payer.
- (vi) Long term loans are needed for repayment of old debts, but it is very doubtful whether a land mortgage bank with the rigid recovery and economy, essential to its successful working, can compete successfully with the village money-lender, who combines money-lending with retail trade and commission business. But except probably in Ajmer-Merwara, the *mahajan* plays, comparatively speaking, a smaller part than the agriculturist lender in mortgage business in these Areas, and a mortgage bank run on strict business lines may by competition lower his terms if the security available to the bank is as good as is at present available to the agriculturist creditor.
- (vii) If a land mortgage Bank is really to assist the agriculturist in wiping out his old debt it is essential that the amount of loan required for wiping out old debts should not be beyond the repaying capacity of the borrower as determined by his surplus income within a reasonably safe period for a new experiment of this kind, say 10 to 15 years; and intensive enquiries show that a very limited number of agriculturists are in a position to repay their old debts out of their surplus income.
- (viii) The mortgaged area in several *tehsils* is already mortgaged for a higher amount than any mortgage bank can safely lend on the security of land in the Centrally Administered Areas.
- (ix) On account of small, scattered, and fragmented holdings, the low yield from land, the prevail-

ing low rents compared with the value of land, and the operation of the Land Alienation Act, there are special difficulties in lending substantial sums for long periods, against the security of land in these areas.

187. After making due allowance for all these facts the majority of the Committee still feel that there is ample room for legitimate and safe business for mortgage banks in the urban and rural areas of each of the three provinces. They therefore recommend the creation of a land mortgage bank in the provinces of North-West Frontier, Delhi and Ajmer-Merwara.

Scope for mortgage banks in the centrally administered areas.

188. A co-operative mortgage bank, run in practice in accordance with co-operative ideals and strict principles, will undoubtedly be preferable, from the point of view of the ideals, to a joint stock land mortgage bank. But as has been pointed out by the Registrar of Co-operative Societies, Punjab, Delhi and North-West Frontier Province, it is in practice extremely difficult to create in the administration of the co-operative mortgage bank a sufficient balance between the interests of the creditors and those of the borrowers. Moreover, a joint stock bank in close touch with the money and stock markets is far more likely to command the necessary business ability which in this complicated business should be of particularly high order, and to attract the necessary capital than a purely co-operative bank in the present stage of the co-operative movement in the Centrally Administered Areas, and would, in our opinion, suit the present conditions of these Areas very much better. As in both cases some kind of Government assistance will be necessary in the early stages, Government will be quite justified in fixing, during the period it gives financial assistance, a limit to dividends which we suggest should not exceed 15 per cent. *plus* an amount necessary to make up 5 per cent. on an average during the years in which the dividend declared is less than 5 per cent. This would prevent any unreasonable tendency to profiteering, and if in addition to this the bank encourages its borrowers to subscribe a certain number of its shares, which we recommend it should, the interests of the borrowers will be effectively safeguarded.

Co-operative mortgage banks.

189. The proposed land mortgage bank, which we recommend, should be at liberty to raise capital by—

Finance.

- (a) having a substantial paid-up share capital;
- (b) attracting fixed deposits for not less than three years, and issuing savings certificates payable after 5, 10, or 15 years, or longer periods, up to 10 times the paid-up capital;
- (c) issuing debentures on the security of the land mortgaged up to a limit of 20 times the paid-up capital;
- (d) extending its operation to insurance of all sorts under the same restrictions and safeguards as are imposed on insurance companies;
- (e) requiring every borrower to subscribe a certain number of shares;
- (f) securing loans from Government, and banks on the security of its general assets; and
- (g) acting as intermediary between the private capitalists and the borrowers, giving in this case a first mortgage to the private capitalists.

It should not be allowed to start work unless its subscribed capital is at least 10 lakhs, one-half of which must be paid-up and one-half should remain as reserve for un-called liabilities of the shareholders.

Our colleague Kanwar Moti Lal dissents from clause (d) of the above recommendation on the ground that it will lead to unfair competition with the existing insurance companies as the bank will be receiving some financial assistance from Government under our recommendations. The majority, however, consider that insurance funds are peculiarly suited to the requirements of mortgage banks, and desire to draw attention to the fact that the use of insurance funds for mortgage credit is quite common in foreign countries.

190. During the first 10 years of the working of the bank it will, in our opinion, be desirable to fix a low maximum limit on the amount of loans advanced to a single individual, say at Rs. 5,000 in rural and Rs. 10,000 in urban areas, subject to the proviso that the minimum

Loans.

loan should be such as to repay the cost of the transaction to the bank and such as a primary co-operative credit society cannot conveniently give. In no case the loan advanced should exceed 25 per cent. of the value of mortgaged land subject to the Land Alienation Act, or ten times the annual average net yield of the land and 50 per cent. of the price of urban landed property. As to the valuation of agricultural land, choice should be given to the borrower either to accept land tax as the basis of the valuation on the scale fixed by the bank or to ask for a special valuation by an expert, in which case he shall pay the incidental charges which the bank has to incur. In the beginning the activities of the bank in rural areas should, in our opinion, be confined to a class of business intermediate between the short term loans of the ordinary co-operative credit societies and the long term loans of some of the land mortgage banks in Europe, by limiting the period of loans to 10 to 15 years, provided that care is taken that the period is such as to enable the farmer to pay the instalments due from his agricultural earnings after keeping enough for his maintenance and for his farming operations. The methods of repayment of loans by borrowers should be by amortization instalments of an unvarying amount, leaving the borrower, however, free after 5 years to pay back the whole amount before time. The discretion of the bank to grant extension of time for payment of instalments should be limited to postponing one instalment at a time and to not more than 2 instalments consecutively, except when the borrower has already paid more than 10 instalments in which case postponement up to 3 consecutive instalments may be allowed.

In view of Government assistance, we recommend that the proposed land mortgage bank should be prevented by statute or regulations approved by Government from charging more than 12 per cent. interest on loans.

7. During the first 20 years the land mortgage bank should in our opinion receive Government assistance in the following ways:—

- (a) A loan for 20 years at 2 per cent. less than the *takavi* rate for the first five years and thereafter at 1 per cent. above Government's borrowing rate in the market, not exceeding in amount $\frac{1}{4}$ th the amount invested in loans to farmers.

- (b) A guarantee of interest on all deposits for five years or more at $\frac{1}{2}$ per cent. below the Imperial Bank's rate for Savings Deposits.
- (c) A guarantee of 5 per cent. interest to all debenture holders.
- (d) Contribution to the extent of half the preliminary expenses in setting up the bank, half the cost of necessary establishment of the bank, and $\frac{1}{4}$ th of the cost of the valuation of land by expert valuers, provided that Government shall not be called upon to pay anything on account of these items if the reserve fund of the bank is sufficient to meet them.

191. To improve the legal position of the bank the following changes in law appear to us to be necessary :—

- (a) The bank should be entitled to all the existing concessions to the co-operative societies in the form of exemption from stamp duties, registration fees, and income tax, and to free remittance of funds within the province.
- (b) The debentures, or bonds, issued by the bank should be declared as valid investments for trust funds.
- (c) The bank should have power to recover its instalments from the agriculturists as arrears of land revenue during the years when the village crops are 8 annas or above, and may pay, through Government a commission of $\frac{1}{2}$ per cent. on all sums recovered through the *patwari*.
- (d) The bank should be given free access to the village records and the records of the Registration Department.
- (e) The bank should, subject to clause (g), be given the right of entering into possession, foreclosing the mortgage and selling the property by public auction in the case of default, after giving the defaulter three months' notice to pay the instalment, without any reference to a court of law.
- (f) Every borrower should be bound by law to disclose to the mortgage banks all particulars affecting

title to the property offered for mortgage and give such information as the mortgage bank considers necessary; and he should be liable to punishment up to three years' imprisonment for giving any information which is found to be materially false or misleading and which affects in any way the security on which the mortgage bank has advanced a loan.

- (g) With a view to protect the land mortgage bank against loss, as well as to improve the security of the borrower so as to give him the benefit of the lower rates of interest and a higher amount of loan which in some cases will be absolutely necessary if old debts are to be completely wiped off, the Land Alienation Act, or the rules under it, should be modified so as to include the mortgage bank among agriculturists so far as the sale and transfer of land are concerned (subject to the same restrictions on the bank's power to sell as are imposed under the Land Alienation Act on agriculturists), provided that the bank shall not be at liberty to hold possession of the land without selling it for more than three years.
- (h) The Committee recommend further that the occupancy rights should be made assignable and transferable to co-operative credit societies and land mortgage banks, subject to option being given to the landlord to purchase the right of the bank within a certain time-limit, and so also crops and farm wealth, including live stock, up to 10 per cent. of their value.
- (i) The account books of the bank should be accepted as correct in all legal proceedings and certified copies thereof should be sufficient.

Our colleagues Messrs. H. L. Chablani and V. F. Gray do not agree to the proviso to clause (g), which they feel might in certain contingencies create for the bank serious difficulties in the disposal of their property. They do not want to jeopardise the position of the bank by restricting its freedom to choose the proper time for selling the land and realising the security. Lala Bal Kishen also does not

agree to the proviso but feels that the discussion is only an academic one since no banking concern will keep a property on its hands for any length of time. He wishes to invite attention to Mr. Dawson's evidence before the Royal Commission on Agriculture, which shows that although his mortgage bank was not under any compulsion to sell land within any specified period, the policy of the management had all along been to dispose of it at once to avoid a fall in price. The Chairman and Nawab Major Muhammad Akbar Khan, on the other hand, regard the proviso as essential for the purpose of ensuring that the policy underlying the Land Alienation Act is not defeated by a deliberate refusal on the part of the bank to sell the land to agriculturists. Kanwar Moti Lal is in favour of the proviso on the ground that otherwise the land mortgage bank would be in an especially privileged position as compared with the ordinary joint stock bank or indigenous shroff lending money on mortgage of land.

192. The bye-laws of the bank should provide for the constitution of a reserve fund to which the bank should be bound to carry at least 5 per cent. of the interest actually received, for redemption of debentures, and for an adequate guarantee that no more mortgage bonds are issued than there are securities available; and should require the approval of Government, who should have all the powers of supervision, inspection and audit necessary for ensuring sufficient protection to the debenture holders.

Bye-laws of the Bank.

Land Register. 193. To facilitate investigation of title, it will be necessary—

- (a) to extend the scope of the village record of rights relating to agricultural land so as to include house property as well as a prudent estimate of the value and yield of all real estate,
- (b) to maintain a similar register of rights in land for the urban areas wherein the legal conditions governing urban real estate are officially entered,
- (c) to make a transfer or a cession of rights on real estate valid only after it is entered in the Land Register or Record of Rights and properly mutated by competent authority, and

- (d) to give access to the Land Register to all persons desiring inspection on payment of a nominal fee.

194. In order to secure proper co-operation between the village co-operative credit society and the land mortgage bank it should be laid down that, in all cases in which the borrowing land-owner is a member of the co-operative credit society, the land mortgage bank shall consult the co-operative credit society before granting him a loan and that the co-operative credit society shall, after receiving intimation from the land mortgage bank that it has granted a long period loan to any of its members, insist on his discharging all his previous debts to the society, except the crop loan, within the limits prescribed by the mortgage bank. Further, loans to tenants should not be granted by the land mortgage bank without a guarantee by the primary co-operative credit society, through whom only applications by tenants should be submitted. We are, further, of opinion that the bank would find it useful to employ the agency of the co-operative credit society and the licensed *mahajan* as local agents of the bank, but in view of the fact that in certain areas this might cause some misconception, we abstain from recommending any restriction on the freedom of the bank to choose its local agents.

195. Our colleague Lala Bal Kishen wishes to add the following note in order to explain his view point further :—

- “ (1) I would emphasise the importance of a most careful preliminary enquiry before a land mortgage bank is floated and would insist on efficient management as essential. Experience has shown that for the success of land mortgage bank the character of the borrower is a great factor. The average borrower looks only to the provision of credit and pays little attention to repayment of loan and the security he can offer. He regards access to credit as a right and not as a privilege to be deserved. Land mortgage bank cannot succeed if the borrower is wrong. Co-operative movement when well established can help a lot in creating the right

sort of borrower as a result of proper and persistent teaching. To have an appreciable demand is different from actual need for long term credit for the purposes for which a loan on long term can reasonably be given.

- “ As long as the rate of interest is as high as in India it is doubtful if any land mortgage bank can give loans which cannot be repaid from savings within 20 years.
- “ (2) It is only reasonable that when the proposed mortgage bank seeks Government assistance it may restrict its dividends practically to interest rate, or one per cent. higher, till the period of Government assistance.
- “ (3) I oppose the inclusion of insurance business in the scheme of the bank, as it would involve it in another intricate and technical business which is not its line. I am not in favour of joining too many functions in one institution.
- “ (4) I am not in favour of recoveries of the bank being made from the agriculturist borrowers as arrears of land revenue for more than one reason:—
- “ (a) It will make the bank slack in applying restrictions and taking precautions on loans advanced if it thought they will be recovered through another agency.
- “ (b) It would result in driving the villagers to the much maligned *patwari* for this work also.
- “ (c) It will place the Government in the position of a lender recovering the dues of a bank, which is not a proper function of the Government; Government would prefer a private agency for the provision of long term credit which would make its own recoveries, otherwise it could push on further the *takavi* loans. A similar proposal from Wedderburn was dropped nearly 50 years ago. A joint stock mortgage bank should not require more assistance than a co-operative mortgage bank for obvious reasons. I would recommend that the proposed bank should have a charge

on the crop and facilities for arbitration in place of the recommendation regarding recovery of its dues as arrears of land revenue. The recovery through Revenue Department, was tried in the United Provinces in case of co-operative societies' dues but the effect was not healthy either on the borrower or the movement."

CHAPTER XXI.

INDIGENOUS BANKERS.

196. In dealing with the indigenous bankers in the Centrally Administered Areas, one is confronted with the initial difficulty of distinguishing between the ordinary investor, a regular money-lender and an indigenous banker as there are no clearly defined or distinctive marks in each of these three classes. Neither the census nor the Income-Tax Department makes any distinction between these three in their statistics. A banker is often distinguished from a private money-lender by the fact that he receives deposits and deals with other people's money rather than with his own, but this distinction will not help us very much in these provinces as a number of money-lenders and even shop-keepers receive deposits to some extent without doing any banking at all; while a large number of people known as bankers and shroffs do not receive any deposits except from members of their own families, friends and relatives. The most common form of credit instrument handled by the banker is the bill of exchange or the *hundi*. Every dealer in *hundi* is not, however, a banker in India, as in many large towns some investors *buy hundis* though they do not sell them or discount them. Banking is not the sole occupation of all those who are popularly known as bankers or shroffs; most of them do a certain amount of trading, on their own account, derive rent from their landed property, indulge in speculation either occasionally or as a part of their regular business. It is, therefore, very difficult to be sure that a particular individual is not more a merchant than a banker.

Subject to these qualifications, it may be said roughly that the number of income-tax assesseees in the class of money-lenders, and bankers in the urban areas, etc., indicates the maximum limit of the number of indigenous bankers in the province, as practically nobody with any standing in the market has his head office in any village. But the exact number of bankers can only be known by the local reputation individuals enjoy in the local money-market. According to the common usage of the market, only *regular* dealers in *hundis* are classed as indigenous bankers, and throughout this chapter our statements should

be understood to be restricted in their application to these regular dealers in *hundis* in the bazaar.

197. The Indian States of Rajputana enjoy the reputation of being the home of indigenous bankers since ancient times, and Ajmer-Merwara surrounded as it is by the old Rajput States has some very old banking firms. The communities which practice banking are generally known by the name of *mahajans*, though, to some extent, even other communities have taken to banking. Among these *mahajans* are included Agarwals, Oswals, Saravagis and Mesris. The number of bankers and money-lenders paying income-tax and their estimated income in Ajmer-Merwara is given in the following statement supplied by the Income-Tax Department:—

Name of District.	No. of Bankers and money-lenders.				Estimated interest, etc.				Amount of income-tax.			
	1921-22.	1926-27.	1927-28.	1928-29.	1921-22.	1926-27.	1927-28.	1928-29.	1921-22.	1926-27.	1927-28.	1928-29.
					Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.
<i>Urban Areas.</i>												
Ajmer	8	11	13	13	1,77,551 0	1,96,321 0	5,66,065 0	6,38,717 0	14,874 12	15,384 7	49,868 1	56,068 0
Beawar	3	6	6	4	7,920 0	22,533 0	27,204 0	14,573 0	206 4	565 11	553 13	412 1
TOTAL	11	17	19	17	1,85,471 0	2,18,854 0	5,93,269 0	6,53,290 0	15,081 0	15,950 2	50,421 14	56,480 7

Enquiries by the Committee, however, show that out of these only the following firms are considered as real indigenous bankers in Ajmer-Merwara :—

Name.	Head Office.	Branch Office.
1. Rai Bahadur Seth Biradh Mal Lodha.	Ajmer.	Beawar.
2. Rai Bahadur Seth Tikamchand Soni.	Ajmer.	
3. Rai Bahadur Seth Champalal Raniwala.	Beawar.	Ajmer.
4. Seth Sheodayal	Ajmer.	
5. Seth Bisheshar Lal	"	
6. Seth Ram Pershad	"	
7. Seth Noratam Mal	"	
8. Seth Pokar Mal	"	
9. Seth Vithal Das Rathi	Beawar.	
10. Seth Hirachand Sancheti	Ajmer.	
11. Seth Dbulchand Kaluram	Beawar.	
12. Seth Kundanmal Udaimal	"	
13. Seth Sahibchand Sabesmal	"	
14. Seth Chhogolal Motilal	"	
15. Seth Ram Gopal Ramsawrup	"	
16. Seth Ram Baksh Ketsidas	"	
17. Seth Balchand Ugrachand	"	
18. Seth Thakurdas Khemraj	"	
19. Seth Kundanmal Lalchand	"	
20. Seth Deokarandas Ramkumwar	"	
21. Seth Shersingh Raghunath Das	"	
22. Seth Chunnilal Onkarmal	"	
23. Seth Kanmal Tejmal	"	
24. Seth Girdharlal Ajodhya Pershad	"	
25. Seth Mukhram Sagarmal	"	
26. Seth Jawahirmal Chandmal	"	
27. Seth Hiralal Rajmal	Nasirabad.	
28. Seth Bhimraj Chhogalal	"	
29. Seth Daulatram Kundanmal	Kekri.	

Only three of these firms do banking business of *all* kinds, namely, receiving deposits, doing remittance work, selling and purchasing *hundis* in the bazaar, and lending money, their own or raised by means of deposits or by sale of *hundis*. Only one of these has, however, extensive deposits, and of the remaining two one is reported to accept deposits only from personal friends whom the head of the firm wishes to oblige. The remaining 26 firms do banking business in varying degrees. Very few of them are reputed to have any deposits from the public. Only five of them enjoy the general reputation of raising money in the market by

invest their own capital, but they can and do *occasionally sell hundis* in the market, which the market readily accepts because of their standing. Of these 29 firms, one deals in opium and another in cotton. Three of these firms have got a number of branches spread all over India. One of the firms has got offices at Ajmer, Jaipur, Jodhpur, Udaipur, Kotah, Shahpura, Karauli, Bharatpur, Dholpur, Neemuch, Mandsaur, Gwalior, Bhanner in Ajmer Ilaqa, Calcutta and Bombay, and another firm has got branches at Ajmer, Jaipur, Jodhpur, Kotah, Alwar, Tonk, Calcutta, Bombay, Nawanagar, Shahpura, Siraunj, Nimbahera, Deoli and the Jodhpur Residency. A third maintains its own offices in Beawar, Ajmer, Nasirabad, Kekri, Bijainagar, Kishengarh, Sarwar, Tonk, Gulabpura, Bhilwara, Kapsin, Shahpur, Gungapur, Hansi, Bombay and Karachi. Quite a large number of these firms are of old standing, one being 140 years old, three 100 years old, one 80 years old, two 60 years old and two 40 years old.

198. These indigenous bankers do not at present finance agricultural production in Ajmer-Merwara. At one time they used to have dealings with the village money-lenders as well as with the agriculturists but this has now completely ceased. According to a leading banker, there were two main reasons for this: "One is that since the great famine of 1899 there has been a scarcity year every three or four years and the city shroffs were unable to recover money from the village money-lenders who were affected by the calamities of the agriculturist. They managed, however, to recover a part of their dues by getting sales of land executed in their favour for some time. What little remained of their dealings with the village money-lenders disappeared with the passing of Land Alienation Regulations under which an agriculturist's land cannot be sold to a non-agriculturist except with the permission of the Collector." These firms, however, continue to deal with both the village money-lenders and the agriculturists in Indian States where they have got their branches and where no protective laws similar to the Land Alienation Act are in force. In Ajmer-Merwara they help the *zamindar* only during the stage of marketing the produce not *directly* but through the *artias* or commission agents who give advances against produce stored with them and borrow money for the purpose from these bankers.

Present credit activities
of the indigenous bankers
in Ajmer-Merwara.

They finance the internal trade of the province as well as its export and import trade. They finance the movement of agricultural produce by purchasing demand drafts from produce dealers, and lend to grain dealers as well as gold and silver merchants on accounts which run from day to day. Some of them are investors and managing agents of cotton mills in Beawar; but except for this they do not finance industries in general. They advance loans as money-lenders against landed property. Two of the biggest of them are treasurers of Indian States, one of them being in charge of State treasuries at Bharatpur, Dholpur, Karauli, and the Jodhpur Residency, the other being Treasurer of Kotah and Alwar States. The same two act as treasurers and disbursing agents for salaries on behalf of the metre gauge and broad gauge sections of the Bombay, Baroda and Central India Railways. A third indigenous banker is Government Treasurer in Ajmer and Beawar. But the main business of these indigenous bankers is remittance, particularly remittances to and from the ports. Only a minor portion of their activities is confined to the limits of Ajmer-Merwara. The bulk of their earnings are from outside, particularly from business in the surrounding Indian States.

199. Quite a considerable part of the working capital of these indigenous bankers is their own capital; but they raise some amount by deposits also.

How they raise their funds. The evidence points to larger deposits in the past, but at the present time only three of these bankers raise substantial amounts by deposits. The general tendency among them is to avoid receiving deposits except from personal friends and relatives who are not likely to embarrass them by demanding back their money at inconvenient times. On the whole, it is generally believed that the Imperial Bank has at present more deposits than those of indigenous bankers taken together. *Muddati hundis* used to be common in this province but of late owing to the increase in stamp duty the use of *muddati hundis* has considerably declined. These *hundis* were and are used by the shroffs as a mode of investing their own money and not as a means of raising funds by having them discounted with the Imperial Bank. In fact the discounting of *muddati hundis* with the Imperial Bank is at present practically *nil*. But the indigenous bankers rely on *darshani hundis* both as a means of remittance and as a

means of raising money. Very few of these *darshani hundis* are ever sold to the Imperial Bank. They thus derive practically no help in the matter of finance from the Imperial Bank in Ajmer, and the more substantial among them seem to consider it beneath their dignity to approach the Imperial Bank for any help whatever.

Some of these indigenous bankers are reluctant to give even 3 per cent. on deposits but those who depend for their finance on the deposits pay interest varying between 3 per cent. and $5\frac{1}{2}$ per cent. For about 7 months the rate is generally below 6 annas per cent. per month and for 5 months of the year below four annas per cent.

Special forms of the *hundis* used are given in Appendix C below.

It is difficult to form any accurate estimate of the total working capital employed by these indigenous bankers in their banking business, but a well-informed manager of one of the leading firms said that in the bazaar all these people taken together were considered to be worth about 3 crores, of which only 1 crore was really available for banking business. On this basis, he estimated that their total working capital including deposits and the money raised by *hundis* amounted to about $2\frac{1}{2}$ crores a year.

200. Loans are given either for fixed periods or on *chalu khata* or running accounts. Lending on promissory notes is not common in Ajmer though the branches of these indigenous bankers elsewhere do this business on a considerable scale. Usance *hundis* are also discounted. On fixed loans, interest is recovered some times in advance; on cash credits it is calculated on the daily balance; and on loans against ornaments and simple *khata*, it is calculated yearly. The rates of interest vary with the security offered. Against ornaments loans are advanced at rates varying between 6 and $7\frac{1}{2}$ per cent.; against security of produce and railway receipts for exported wool at 7 per cent.; the common rate against landed property is 9 per cent.; and against personal security the rate varies between 6 and 9 per cent. according to the standing of the parties. The rates for various parties do not vary with the seasons nor do they change with the market rate of interest in the ports where some of these bankers have their offices; it is more or less permanent for each client in Ajmer-Merwara. The rate of inter-

lending among the *sahukars* is 3 per cent. in the dull season from May to October, and goes up to 6 per cent. in the winter season. On an average during the 7 months of the year, May to October, it is about $4\frac{1}{2}$ annas per cent. and for the 5 months, November to April, 6 annas per cent. The discounting rate of *muddati hundis* differs according to the stability of each firm. It varies generally between 4 annas and 5 annas per cent. but in the busy season it goes up sometimes to 6 annas per cent. It, however, never goes beyond $7\frac{1}{2}$ annas per cent. in Ajmer or even at the branches of these indigenous bankers at the ports, as it is generally considered humiliating to pay a higher rate.

It was stated in the evidence before the Committee that the *sahukars* or indigenous bankers would be quite ready to lend at 5 per cent. for 4 or 5 months of the slack season of the year, if there was a certainty of repayment or a Government guarantee for the security of loans. Complaints regarding slow recoveries and delay in the law courts are general, and it is generally believed that the Insolvency Law is too tempting for a dishonest borrower.

The Imperial Bank rate seems to have very little effect on the shroffs' rates. The rates in the money market in Calcutta do not lead to any change in the rates of Ajmer or Beawar bankers but this is true only of the *muddati vundi rate*. The Imperial Bank rate affects the rate of Bombay or Calcutta offices of the Ajmer indigenous bankers, and consequently it does affect the rate for demand drafts of the local offices of the indigenous bankers in Ajmer.

201. The indigenous bankers are able to remit money not only to places where they have got their own branches but also to a number of other places where they have their *artias*. Remittance business. For instance, one of the leading firms can and does draw *hundis* on their *artias* in Delhi, Amritsar, Dera Ismail Khan, Madras and Hyderabad (Deccan), although it has no office of its own at any of these places. Formerly when railway communications were not so good, the system of *artias* was far more extensively spread and these bankers used to have *artias* at many more places than at present.

The remittance to neighbouring villages is done through special messengers who carry specie and notes. Money is

remitted to the ports by *hundis* in the case of small amounts and by supply bills for larger amounts. Currency notes are also used for remittance purposes, but by far the larger amounts are remitted by means of *hundis*. It is interesting to note that the *hundi* on Bombay is used not only for the purpose of remitting money to Bombay but as a means of discharging monetary obligations to persons living in towns of upper India. For instance, the *gur* merchants who get their *gur* from Meerut and other places in Northern India remit money to these places by means of *hundis* on Bombay because shroffs' *hundis* on Bombay and Calcutta are in demand in these places also. And this is done in spite of the fact that the Imperial Bank can give a direct draft on some of these places. The rates for *darshani hundis* on port towns vary in the busy season between 99-12-0 and par, and from par to 100-4-0 in the off season.

There is a general complaint that the business in demand drafts or *darshani hundis* of these indigenous bankers has suffered a good deal after the opening of a branch of the Imperial Bank at Ajmer, as the Imperial Bank fixes its rate for demand drafts irrespective of the local market conditions prevailing at a particular time and makes no distinction between indigenous bankers, and the general public in the matter of rates. Formerly, money used to move freely between various centres in Rajputana, for example, Jaipur, Jodhpur and Ajmer with a slight difference in the rate for *hundis* on Bombay, but there is not much inducement to do this now-a-days because the Imperial Bank's demand draft rate on Bombay is the same at all its branches. It is also pointed out that in the busy season *darshani hundis* on Bombay used to be sold even below par, which was to the advantage of merchants; but this has become impossible after the opening of the branch of the Imperial Bank as the indigenous bankers have no chance of making a profit in other months when *hundis* used to be much above par formerly.

202. There is no organised money market in the towns of Ajmer-Merwara, but *dalals* or brokers go round every day, and the local offices of the indigenous bankers are in daily telegraphic touch with the organised money markets in Bombay and Calcutta. Within the province money flows

Money market.

from urban to rural areas at the time of the harvest, but mofussil *hundis* are generally discounted locally during the busy season and are sent to Ajmer and Beawar only during the off season. Money also moves between the towns of Ajmer-Merwara and the towns outside the province at the slightest inducement; for instance, after deducting railway expenses if the indigenous banker could save 1 anna or 6 pies per cent. he would remit from Jaipur to Ajmer or *vice versa*. Money does flow from Calcutta and Bombay for employment in Ajmer-Merwara during the busy season of the year, and there is constant movement of funds between the offices of Ajmer indigenous bankers in Indian States and their offices in port towns. During the months of December to March, funds generally move from the branches of the indigenous bankers and shroffs in Indian States to Calcutta and Bombay for more profitable employment there, while in the month of April these funds return to their offices in Indian States. Ordinarily, a difference of 2 annas per cent. in the *hundi* rate is quite enough to move funds from one place to another.

203. The relations of the indigenous bankers with their clients are generally cordial; and far from there being any prejudice against them, the public in Ajmer-Merwara shows a decided preference for them over the Imperial Bank. For this several reasons are given. It is said in the first place that the shroffs accept the *hundis* of merchants without invidious distinctions but the Imperial Bank imposes certain arbitrary restrictions. The Government Treasury closes at 4 p.m., and the Imperial Bank pays up to only 2 p.m. and accepts payment only up to 4 p.m., but the indigenous bankers take and give money at any time during the day or night. The Imperial Bank can give a draft only if the full amount is paid, while a client can easily give an indigenous banker a few hundreds less and get from him a *hundi* for the whole amount, paying the remaining sum after two or three days. The English script is an obstacle to some; while the time taken in dealing with the Imperial Bank is considered a sheer waste by busy merchants. The Imperial Bank would put a lock on the articles received till its money is paid, while the indigenous bankers do not do this. It is further alleged that if clients fail to send

Relations of indigenous
bankers with their clients.

an immediate reply to their balance verification letter, which some of them do not sometimes understand, their accounts are transferred to Bombay with the result that when they ask for money they are told that their accounts have been transferred to Bombay and money will be paid to them only when it is retransferred. It is also alleged that when money is taken to the Imperial Bank, good silver coins are very often mutilated along with spurious coins. Indigenous bankers follow their old customs, *e.g.*, an indigenous banker would send his own messenger to take the amount due on *hundis* to the house of his client, while in the case of the Imperial Bank money has to be taken to the bank's premises. There is, moreover, a general feeling that the staff of the Imperial Bank insist on too many formalities and do not treat the merchants with the consideration they expect, there being no decent waiting rooms nor chairs for respectable persons. In addition to these, the indigenous bankers enjoy the advantage of a very low cost on establishment, of intimate knowledge of each and every client, and of fine family traditions and prestige in the local market.

204. The city of Delhi has been known to be an important centre of indigenous banking at least from the early days of the Moghul rule; and although it has been over-shadowed at present by the port towns of India as a financing centre, it still retains its premier position as a banking centre among the towns of Northern India. It not only finances the bulk of buying and selling transactions between Delhi and the neighbouring *mandis*, but also finances the business between the neighbouring *mandis inter se* and the movement of produce between these *mandis* and other commercial centres, particularly the port towns. It is well-supplied with banking facilities as not only a number of indigenous bankers carry on their banking business in Delhi but almost all important exchange banks and Indian joint stock banks of Northern India maintain their branches there. It is important enough as a centre of trade in commodities in Northern India, but it is much more important as a centre of collection business in demand bills arising out of the movement of goods between these towns on the one hand and port towns on the other.

The communities which practice indigenous banking in Delhi are mainly *aggarwals*, *vaishes* (including Jains) Khattris and Marwaris. The following statistics supplied by the Income-Tax Department indicate the number of bankers and money-lenders paying income-tax in the urban areas, their estimated income from interest and expenses :—

DELHI PROVINCE.

Urban Areas.

Year.	No. of bankers and money-lenders.	Capital.	Estimated interest.	Interest paid.	Other Expenses.	Net Income.	Income-tax.
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1926-27 . . .	73	64,38,284	8,36,822	12,997	32,557	8,11,268	18,279
1927-28 . . .	97	65,22,660	4,22,212	14,492	40,902	8,59,598	20,957
1928-29 . . .	100	70,67,488	4,83,958	19,663	58,679	4,10,616	23,278

Local enquiries indicate that of these families only the following 43 are at present recognised as professional shroffs or indigenous bankers, though besides these there are over 100 persons who regularly buy *hundis* in the market as a means of investing their own capital :—

1. Thakardas Moolchand, Naya Bazar.
2. Ramgopal Omrao Singh, Naya Bazar.
3. Ram Gopal Bhagwan Das, Naya Bazar.
4. Jot Ram Chander Bhan (Beharilal Kidarnath) Geoka Mall, Katra Tomaku.
5. Paras Ram Harnand Rai, Naya Bazar.
6. Sheo Parshad Gur Pershad, Cloth Market.
7. Charanji Lal Deo Raj, Cloth Market.
8. Datta Ram Ram Bilas, Cloth Market.
9. Kunj Lala Balkishan Das, Katra Tomaku.
10. Gopal Rai Amba Pershad, Katra Tomaku.
11. Prem Sukh Das, Narsingh Das, Cloth Market.
12. Narain Das Bhagwan Das, Cloth Market.
13. Ishwar Das Nirbho Ram, Cloth Market.
14. Nathu Ram Ram Narain, Cloth Market.
15. Sheo Ram Dass Gopal Chand, Cloth Market.
16. Sanwal Das Jankidas, Cloth Market.

17. Johri Mal Giyan Chand, Egerton Road.
18. Prag Das Mangal Sain, Khari Baoli.
19. Tulsi Ram Jugal Kishore, Cloth Market.
20. Chand Mal Gauri Shankar, Pahari Dhiraj.
21. Bhagwan Das Chiranji Lal, Cloth Market.
22. Dwarka Das Gulraj, Egerton Road.
23. Panna Lal Sheo Narain, Chandni Chauk.
24. Girdhari Lal Panna Lal, Egerton Road.
25. Lakhmi Chand Ram Kanwar, Egerton Road.
26. Harsukh Rai Munna Lal, Cloth Market.
27. L. N. Gadodia, Kucha Naltoi.
28. Lachhmi Narain Benarsi Das, Cloth Market.
29. Gordhan Lal Ram Gopal, Bazar Sita Ram.
30. Nawal Kishore Khairati Lal, Chandni Chauk.
31. Ram Chand Hazari Lal (Kesari Chand Balmokand), Chota Dariba.
32. Puran Chand Ratan Lal, Naugarh.
33. Sohan Lal Harak Chand, Chawri Bazar.
34. Bhana Mal Gulzari Lal, Chawri Bazar.
35. Madho Ram Budh Singh, Chawri Bazar.
36. Ram Lal Sanahi Lal, Katra Kushalrai.
37. Isri Das Benarsi Das (S. K. D. Baijal).
38. Hukam Chand Jagadhar Mal, Dariba Kalan.
39. Incha Ram and Sons, New Delhi.
40. Nanna Mal Janki Das, Chawri Bazar.
41. Johri Mal Sanahi Lal, Chawri Bazar.
42. Gordhan Das Sheo Narain, Nil-ka-Katra.

None of these firms deals exclusively with banking. Banking is only a side-line in their main business, which is either cloth, grain, iron, sundries or *kirana*, or gold and silver business, the order in which they are mentioned here indicating their relative importance. Each indigen-ous banker does different kinds of banking business in varying degrees; but generally speaking their banking business is at present more or less restricted to sale and purchase of *darshani hundis* and loans on pro-notes.

It is generally believed that the business of these indigen-ous bankers in Delhi is declining and that such of them as remain in the business are gradually shedding a

number of banking functions which they used to perform before. The Gazetteer of the Delhi District published in the year 1913 mentions the names of about 7 leading families of indigenous bankers in Delhi, but an examination of this list and its comparison with the list of existing bankers indicates that a great change has been brought about in the position of these old families among the banking firms. For instance, the firm of Lala Matwala Mal and Thakurdas, represented by Rai Bahadur Hardi Singh in 1912, has ceased to do any banking business at all its representatives Rai Bahadur Madho Parsad being present only a landlord living on the rentals of his property. The firm of Lala Palamal and Mutsaddi Mal, now known as Chhunamal Saligram's firm, has also ceased to do banking business. The banking firms of Sheo Singh Rai Nihal Singh, represented by Mr. Raghbir Singh, though still in the line, has greatly curtailed its banking business though only a few years ago its banking activities extended to Khurja, Aligarh, Rohtak, Gwalior, Muttra, Karnal and Bharatpur. The firm of Rai Bahadur Srikishan Das Gurwala, which was founded in about the year 1732, has closed its banking business. Another old banking firm of more than 200 years' standing, namely Gulabrai Meharchand, represented by Rai Bahadur Paras Das, now lives mainly on the rentals of property. Even the oldest of all the banking families of Delhi, Harsukh Rai Shugan Chand, does not do any banking business at the present time. The firm of Maharaja Lal also mentioned in the Gazetteer has practically disappeared from the list of bankers. Among the families mentioned in the Gazetteer it is only the Dhuliawala family represented by Rai Sahib Minamal Somani, which continues to do any appreciable banking business. Local enquiries further show that only 15 to 20 years ago not only the number of indigenous bankers was very much larger than at present, one estimate placing it at as high a figure as 200, but they used to be bankers in every sense of the term. They had more deposits than they have at present; they derived a substantial income from *hundi* business and loans, and they then dominated the money-market. The position at present is materially different from this state of affairs. There is hardly a single banker in the full sense of the term; quite a large number of them have been reduced to the position of mere money lenders or merchants; and, as has

been remarked above, their banking business is at present mostly a side-show.

205. The indigenous bankers in Delhi are even more completely cut off from agricultural industry than the shroffs in Ajmer-Merwara; but their advances against stored produce either directly or through the *artias* or commission agents and their financing of the movement of the agricultural produce are much more substantial than is the case in Ajmer-Merwara. It is estimated that on an average, $\frac{1}{3}$ rd of the working capital of the indigenous bankers in Delhi goes out of Delhi every year to finance grain and cotton trade in the neighbouring *mandis*. In the grain season they send money from Delhi city to the following *mandis*:—Rohtak, Sarsa, Hissar, Bhatinda, Chandausi, Aligarh, Hapur, Deoband, and Shamli. Only a few years ago the cotton trade in Hathras, Kosi, Palwal, Agra, Muttra, Karnal, Khurja and Aligarh was financed generally by the indigenous bankers of Delhi during the cotton season, which lasts for three months, September, October and November.

Indigenous bankers and agricultural industry—the *Artia*.

They finance the internal trade of the province as well as the export and import trade, but they have lost the predominant position which they had in the financing of grain, iron, timber, *kaseras*, and cotton, which they used to enjoy only a few years ago. They keep no deposits in any local industrial concern but they help the local cotton industry to the extent of about 4 or 5 lakhs a year. They lend money against different kinds of security, *e.g.*, pro-notes, mortgage of property, gold and silver, stock-in-trade, and railway receipts. Formerly they had a subsidiary source of income from the encashment of notes but this has now completely ceased.

206. The working capital of these indigenous bankers is partly supplied out of their own capital and is partly raised by selling *hundis* in the market, by getting accommodation from the banks, and by attracting deposits. Twenty years ago when their business is said to have flourished more than it does at present, about $\frac{1}{3}$ th of their working capital was provided by deposits, but at the present time they do not generally take deposits except from personal friends and relatives. The more substan-

How they raise their funds.

tial of them do not accept any deposits; only about five or six of them accept demand deposits, that is, deposits taken with an undertaking to repay at any time when the depositor asks for the return of his money. Except with Khari Baoli bankers, there are no current deposits to which a depositor can add when he pleases and which he can withdraw when he wishes. There is no cheque system except in the firm of Incharam and Sons. Their deposits are all fixed deposits, generally for sixty days. The rate of interest varies between 3 and 5 per cent., the maximum rate paid by the most substantial of the bankers being Re. 0-7-9 per cent. per mensem. Established and reputed firms do not vary their deposit rates from season to season, though occasionally the lesser ones pay even 10 annas per cent. in the months of October and November if their need for money is urgent. The total amount of deposits with these bankers does not appear to be a considerable sum. The income-tax officers estimate that only Rs. 19,663 were paid by the indigenous bankers as interest on the deposits with them; estimating an average rate of 4 per cent. per annum, this suggests that the total deposits with them were less than five lakhs. *Muddati hundis* or usance bills are here also more a method of investing funds than a means of raising money. A well informed manager of a joint stock bank of the province estimates that nearly 75 per cent. of these *muddati hundis* are held over up to maturity, and that the indigenous bankers re-discount them with the banks only to the extent of about 25 per cent. of the total. They are also used for the purpose of accommodating some clients and earning a commission for lending the credit and the security of one's name. Sometimes even *darshani hundis* are used for obtaining credit for a few days, say about four days. For instance, a shroff may sell a *darshani hundi* in the Delhi market to-day and remit money to the party in Bombay by a telegraphic draft through a bank on the 4th day as the *hundi* will take two days in transmission and can be delayed for payment for two days more in Bombay. Specimens of the *hundis* in common use are given as an appendix to this chapter.

Besides re-discounting both usance and demand bills with the joint stock banks and exchange banks, cash credits are also arranged with the banks, but this is not so common as the sale of *hundis*, because the latter carries with it

greater prestige in the market. Formerly, nearly 20 per cent. of the working capital of the indigenous bankers in Delhi was secured by rediscounting with the Bank of Bengal; but at the present time according to the statement made by the Manager of the Northern India Branches of the Imperial Bank of India, in his evidence before us, no help is required by the indigenous bankers of Delhi from the local branch of the Imperial Bank. It is difficult to make an accurate estimate of the total amount of the working capital of these indigenous bankers. The manager of one of the Indian joint stock banks thought that out of the total funds available for investment from the public in Delhi, about 44 per cent. found its way to the banks in Delhi, 33 per cent. was absorbed by Government securities including treasury bills, and 22 per cent. went into the hands of shroffs. The treasurer of the same bank was of opinion that nearly 60 per cent. of the capital employed by the shroffs was their own capital and that only 40 per cent. was raised by other means, specially by the sale of *hundis* in the bazaar.

207. Loans are advanced against promissory notes, with or without pledge of ornaments; mortgage of property; or by way of discounting *hundis*. Cash credits too are quite common as a form of inter-lending among the indigenous bankers themselves. Both promissory notes and *hundis* are generally written in the Hindi character. The *muddati hundis* are generally for 61 days, sometimes 91 days and only occasionally for 365 days. *Hundis* for longer periods are very rare in Delhi. *Muddati hundis* are generally held by the purchaser upto the due date for payment. But if necessity arises they are re-discounted, generally in the local market. Occasionally, however, it happens that a person loses for a time his credit in Delhi but still retains it in Calcutta and Bombay, in which case he will have his *hundis* discounted at an outside centre. Most of the usance bills are genuine trade bills or bills drawn by persons who are generally reputed to do genuine trade and business. Hardly 10 per cent. of the business in usance bills is for the purpose of taking advantage of the current remittance charges from one place to another or of the difference in the rates of interest in different commercial centres. Usance bills are generally of the value of Rs. 2,500 or Rs. 1,500. Enquiries show that the

Loans and advances—
Forms of.

muddati hundi was much more extensively used a few years ago than is the case at present, and it is widely believed that almost the entire trade in *gur*, grain, iron and timber used to be financed by means of *muddati hundis*. Owing to the increase in stamp duty and increase in the number of insolvents, the use of *muddati hundis* is declining; and the promissory note is replacing it even when the intention of the party is not to pay on demand but after a settled interval of time.

The rate for discounting *muddati hundis* generally varies between four annas per cent. per mensem in the rainy season and 12 annas per cent. per mensem in the busy season; but last year it did not go beyond seven annas per cent. per mensem. The actual bazaar rates for discounting *muddati hundis* between October 1927 and January 1930 month by month were as follows:—

Year.	Month.	Rate per mensem.
		As.
1927	October, November and December	10
	January	9
	February and March	8
	April	10
	May, June, July and August	7
	October, November and December	10
1929	January and February	8
	March and April	9
	May, June, July and August	6
	September and October	9
	November and December	10
1930	January	7

The Imperial Bank's rate does not generally influence these bazaar rates, because funds invested in them are generally owned by the shroffs and bills offered for re-discounting to the Imperial Bank are limited in amount.

The rate of interest on pro-notes varies between 7 and 10 annas per cent. per mensem in the busy season and goes down to 3 annas and 3 annas 6 pies per cent. per mensem in the rainy season. The range of variation between the busy season and slack season has remained practically unchanged during the last eight years. Interest on loans against mortgage of property ranges between 12 annas to one rupee per cent. per mensem; and this rate has continued for the last 20 years. No loans are advanced by any indigenous banker against mortgage of agricultural land. For the last fifteen years the rate of interest for

loans against ornaments has varied between 12 and 14 annas per cent. per mensem. Loans advanced without security for 8 or 10 days are charged interest at the rate of eight annas per cent. per mensem. For the last 50 years the *sahukari* rate, or the rate of inter-lending among the *sahukars*, is 7 annas 9 pies per cent. per mensem; and it is generally considered derogatory for any *sahukar* to pay a higher rate. Ordinary *artias* and cloth merchants borrow from the shroffs generally at the rate of $7\frac{1}{2}$ per cent., and the small grain dealers, fruit merchants and vegetable merchants have to pay rates varying from 9 to 12 per cent.

The figures supplied by the Income-Tax Department show that the indigenous bankers in the urban areas realise on the whole a net return of a little below 6 per cent.

In the slack season, June to August, less than half the funds in the hands of the indigenous bankers find employment in Delhi business; and the indigenous bankers either transfer funds to the neighbouring *mandis* where grain is available for sale from May onwards, or offer considerable amounts to the joint stock banks as fixed deposits. The rate on deposits offered by the Indian joint stock banks does not always follow the local market rate of interest as the banks take into account the average rate on which they can get local deposits throughout the year and the possibility of investing their funds profitably not only in Delhi but also elsewhere. If in the busy season indigenous bankers want back their money, they secure it by over-drafts against the same deposits at a higher rate of interest.

The evidence shows that a few years ago some of the shroffs acted as accepting houses, *i.e.*, purchasing *hundis* at a high rate of discount and after endorsing them selling them off at a low rate of discount, thus making a profit on account of their standing and credit in the money market; but this sort of business has now disappeared almost completely.

208. There is a large field for remittance business in Delhi, but there is also very stiff competition for this business between the indigenous bankers and other credit agencies. A large amount of cash in the form of rupees and notes is sent both by the indigenous bankers and the

Remittance business.

joint stock banks to the neighbouring *mandis* to the east as well as to the west of Delhi in the cotton and grain season. The amount of cash (coin and notes) sent to Hapur alone by joint stock banks in Delhi is estimated as follows :—

Year.	Amount. Lakhs.
1923	22
1924	37
1925	55
1926	55
1927	63
1928	59
1929	42

The indigenous bankers not only endorse *darshani hundis* bought by them from the *mandis*, but also compete with the joint stock banks by sending those *hundis* direct to their *artias* at Calcutta and Bombay, and by creating drawings by their own *hundis* and selling them in the market at premium. *Hundis* are easily available for remittance to Calcutta, Bombay, Karachi, Cawnpore, Amritsar, Ahmedabad, Nagpur, Jaipur, Jodhpur, Ajmer and Beawar but remittance to Madras, Lahore, Peshawar, Indore, Simla and Colombo is done by bank drafts alone as the indigenous bankers have no facilities for remittance to these places. As in Ajmer-Merwara, *hundis* on Bombay and Calcutta are often used as a means of settling transactions between many small towns *inter se*. In addition to *hundis* and drafts of banks, currency notes under insured covers and supply bills supplied by the Imperial Bank are also available; and there is a general complaint on the part of these indigenous bankers that with the opening of the branches of the Imperial Bank they have suffered a good deal in the remittance business in places where formerly there were no banks. They are obliged, therefore, to recoup themselves by charging higher rates for remittance to places where there are no branches of the Imperial Bank or of the Indian joint stock banks. The volume of *darshani hundis* bought from the surrounding *mandis* cannot be exactly ascertained. A manager of one of the Indian joint stock banks, however, stated that his bank alone purchased from the indigenous bankers sixty lakhs worth of demand bills on the ports and sold

to the market $1\frac{1}{2}$ crores worth of drafts on its own branches at the port towns in a single year.

209. There is no regular market in Delhi where dealers in *hundis* regularly meet; but the brokers in the city go round and make the market rate known to all dealers by about 11 o'clock in the morning. If there is a dispute about any particular *hundi* transaction it is settled by the *panchayat* of indigenous bankers, which meets at the place of Rai Bahadur Lala Shri Kishen Gurwala, an old indigenous banker who has ceased doing banking business. This *panchayat* has got a regular set of rules and a minute-book of its proceedings.

The extent of the connection between indigenous bankers and organised joint stock banks has already been indicated in a general way. The main point of contact between the shroffs and the joint stock banks including the Imperial Bank, is that the former sell *darshani hundis* in their hands to the latter when they are in need of money, re-discount about 25 per cent. of *muddati hundis* with the Indian joint stock banks, and keep deposits with them when the market rate of interest is low. On the whole, the indigenous bankers get in time of need more credit from the Indian joint stock banks and exchange banks than from the Imperial Bank in Delhi.

There is no relationship whatever between the Delhi city bankers and the village money-lenders; but both of them are in contact with *sahukars* in smaller towns. The village money-lender keeps his surplus, whenever he has got any, with the mofussil town banker or his *artia* in the city; while the mofussil town banker keeps his deposits either with the big shroffs or his *artias* in the Delhi city. Funds move easily between Delhi and the outside centres. There is a seasonal flow of funds between Delhi and the surrounding *mandis*. The connection between the mofussil dealers, indigenous bankers and banks in Delhi in remittance business, is brought out in the following description of the normal method of remittance described by one of the indigenous bankers.

“ Our clients in mofussil *mandis* come here and sell to us *darshani hundis* for Bombay and Calcutta. We give them our own cash or cash obtained by selling these *hundis* to the joint stock banks, charging our commission for

accepting the *hundis* at the rate of 1 anna per cent. The banks after three days get their money in Bombay or Calcutta; and in case they finance also piece-goods traders they get the money back again in Delhi by turning into cash the *darshani hundi* from Bombay on the piece-goods merchants here; but some of the banks, for instance, the Imperial Bank, do not finance the piece-goods traders at all, and in their case money sent out from Delhi does not return to Delhi in the ordinary course of business. Connection with the outside indigenous bankers in places like Calcutta and Bombay is maintained through the *artias* in these places."

210. The general reputation of the indigenous shroffs in the city of Delhi stands very high and the manager of one of the leading joint stock banks. Indigenous shroffs. went to the length of stating that while there was some prejudice against the Indian joint stock banks, there was none whatever against the indigenous shroffs. They are more easily accessible and more accommodating to their clients than a joint stock bank or the Imperial Bank; and their ways of business are more in accord with the habits and the traditions of the trading community. They enjoy, in addition, the advantage of a very low cost on establishment, the expense of maintaining a branch being in their case only 1/10th the cost of running a branch of a joint stock bank.

211. There is a general feeling of dis-satisfaction among the indigenous bankers in Delhi against the existing law and legal procedure. They complain of the difficulties in recovering loans particularly in mortgage suits in which dishonest pleas of all sorts can be raised in defence on behalf of minors, women, etc., of the common practice in the courts of the Punjab and Delhi not to award interest after the date of decree and upto the time of its realisation, which is generally done in the courts of the United Provinces. They consider the existing Insolvency Law defective in so far as it makes it easy for a dishonest merchant or a banker to declare himself insolvent and prolong unduly the proceedings in an insolvency application.

Complaints against the existing law and procedure.

Apart from these difficulties, they find themselves face to face with severe competition. They complain that the

cheap money available in the shape of current deposits and free Government balances with the Imperial Bank tends to squeeze them out of the market and compels them to supplement their income from banking by trading and speculating on their own account. They feel very keenly the Imperial Bank's competition in the neighbouring *mandis* of Khurja, Hapur and Hathras. They consider it unfair that the Indian joint stock banks should be given any preference over them in the matter of rates charged for supply bills.

212. In the North-West Frontier Province, money-lending, banking, and trade are not confined to Hindus alone. Quite a large number of Muslims are in the banking line and have their branch offices in Kabul itself. Among the Hindus, Khatris and Aroras claim a majority of the indigenous bankers, though one of the leading banking families is a Multani firm of very old standing. The available statistics regarding income-tax assesseses in the class of urban money-lenders and bankers are reproduced below :—

Indigenous Bankers in the North-West Frontier Province.

NORTH-WEST FRONTIER PROVINCE.

Name of District.	No. of Assesseses.	Income.	Tax.
		Urban.	Urban.
		Rs.	Rs.
<i>D. I. Khan and Bannu—</i>			
1926-27	159	9,25,501	35,935
1927-28	156	7,92,624	30,530
1928-29	231	7,06,551	27,829
<i>Peshawar District—</i>			
1926-27	273	8,32,535	55,459
1927-28	181	6,13,351	71,060
1928-29	249	10,35,908	71,642
<i>Urban and Rural.</i>			
<i>Kohat District—</i>			
1926-27	*22	(a) 78,591	5,214
		(b) 41,307	1,403
1927-28	*12	(a) 89,482	5,620
		(b) 46,136	1,381
1928-29	*14	(a) 80,058	9,330
		(b) 60,696	1,760

* The figures are for rural and urban.

(a) Stands for Urban.

(b) Stands for Rural.

Name of District.	No. of Assessee.	Income.	Tax.
		Rs.	Rs.
<i>Hazara District—</i>			
1926-27	*188	(a) 1,43,126	5,807
		(b) 7,01,222	17,471
1927-28	*174	(a) 1,65,065	5,032
		(b) 6,28,157	17,131
1928-29	*163	(a) 1,79,703	5,746
		(b) 8,97,022	22,037

Local enquiries show that in the market only the following families are considered as real bankers among the Hindus :—

Peshawar.

1. Rai Bahadur Karam Chand Khanna.
2. L. Amir Chand Lakshmi Chand.
3. L. Narain Das Chelaram.
4. L. Ishar Das Ramjidas.
5. Babu Kanhaiya Lal.
6. L. Nandlal Ram Chand.
7. L. Hukam Chand Duni Chand Shroff.
8. L. Diwan Chand Gobind Ram.
9. L. Kishandas Gobind Ram.
10. L. Sidharam Duli Chand.
11. L. Wisanda Ram Balkishen.
12. S. Bhagat Singh & Sons.
13. Rai Sahib Mehr Chand.
14. Seth Diwan Chand Sant Ram.

Dera Ismail Khan.

1. Rai Bahadur Sukharam Chhabil Das.
2. Seth Tikaya Ram Chokha Ram.
3. L. Sidharam Duli Chand.
4. Rai Sahib Jessa Ram Hiranand.
5. L. Gelaram Kishandas.

* The figures are for rural and urban.

(a) Stands for Urban.

(b) Stands for Rural.

Kohat.

1. Messrs. Buta Mal Parmanand.
2. Rai Bahadur Sardar Makhan Singh & Sons.
3. Rai Sahib Mathradas.

Hazara (Haripur).

1. L. Diwan Chand Bhola Ram.
2. L. Jawala Sahai Uttam Chand.
3. L. Bhagat Sukhdial Amir Chand.
4. L. Khazana Mal Gauhar Das.
5. L. Radha Kishan Mohr Chand.

Abbottabad.

1. Rai Sahib Seth Chuhan Lal & Sons.

Very few of these firms do exclusively banking business. The best known firm among the few who do nothing else but banking is the Multani firm of Narain Das Chelaram, which was established in Peshawar in the days of the Durrani and which has its head office at Amritsar and branches at Kohat, Rawalpindi, Bombay and Karachi in addition to Peshawar. Most of these indigenous bankers combine banking with trade in piece-goods, grain, sugar and cotton. It is not possible to say with any certainty whether the banking business of these firms is on the whole increasing or decreasing; the general opinion seems mostly in favour of the view that it is declining, while the manager of one of the joint stock banks in Peshawar felt sure that it was increasing and not declining. We could get no reliable statistics either one way or the other.

The indigenous bankers do not finance agriculture to any appreciable extent. They generally avoid the agriculturist and have very little connection with the village money-lender, though occasionally personal friends among both these classes are accommodated. Nor is much assistance rendered to the local industry as a whole, though a number of private individuals have invested in cotton ginning as proprietors or partners, and finance the handloom industry of *lungi*-making in the city of Peshawar on reasonable rate of interest, which vary between 5 and 9 per cent. Loans are advanced against mortgage of pro-

perty or pro-notes; but the general banking business in the main consists of financing the movement of the produce, remittance business, discounting of *hundis*, and advancing loans against stock in trade.

213. The general description of the sources of the working capital of the indigenous shroffs in Ajmer-Merwara and Delhi holds good for the North-West Frontier Province also with only slight variations. Formerly the indigenous bankers used to provide themselves with funds out of—

How they raise their funds.

- (a) their own capital,
- (b) the deposits received by them,
- (c) sale of *hundis*, and
- (d) loans from one another or from banks.

But at the present time deposits have declined, and not much is raised by the sale of *hundis*. Even then the proportion of deposits to the working capital of the shroffs in the North-West Frontier Province is higher than in Ajmer-Merwara or Delhi. Estimates of the bankers vary; the minimum estimate is 25 per cent. of the working capital while the maximum is 50 per cent. The amount deposited with them appears to be substantial in the aggregate. For the city of Peshawar alone, one estimate is 57 lakhs, as compared with 75 lakhs deposited with all the joint stock banks, including the Imperial Bank. The rate of interest on deposits varies between 3 and 8 per cent. according to the standing of the shroff. Some of them do not vary the rates in different seasons, but some do. Generally speaking, the difference is of about 2 per cent. between the busy and the slack season. Most of the shroffs do not pay more than $6\frac{1}{4}$ annas per cent. on deposits, *i.e.*, $5\frac{1}{4}$ per cent. per annum. Big shroffs avoid deposits and when they accept them do not vary the rates in different seasons. The use of *muddati hundis*, whether as a means of raising money or a form of investment, is declining and its place is taken up by demand promissory notes which are really intended to serve as *muddati hundis*. The bigger shroffs have no connection either with the joint stock banks or with the Imperial Bank except so far as they sell *darshani hundis* to the banks whenever the bank rate is low. Some of them do borrow from the Imperial Bank and rediscount their bills in the busy

season. On the whole, they have got more connection with the Imperial Bank than with other joint stock banks or exchange banks. Exact information as to the total amounts of the working capital of the indigenous shroffs is not available. Estimates of different bankers differ widely, the minimum being 2 crores and the maximum 5 crores.

214. The lending business of these firms closely resembles that of the indigenous bankers in the other two areas; but it is quite common in this province to allow overdrafts to regular customers or grant cash credits to respectable persons without any security whatever. The *sahukari* rate of interest for a very short period say for 15 days, varies between $4\frac{1}{8}$ and $5\frac{1}{2}$ per cent., but if the loan is for longer periods the rates paid by the smaller shroffs go even up to 9 per cent. The rates charged by one of the leading firms on pro-notes for 60 days in different months of the last year were as follow :—

	Per cent.
Besakh (April)	5
Jeth (May)	6
Har (June)	6
Sawan (July)	$6\frac{1}{2}$
Bhadon (August)	7
Asuj (September)	$7\frac{1}{2}$
Katak (October)	$8\frac{1}{2}$
Maghar (November)	$8\frac{1}{2}$

The rate of interest on loans against ornaments is 9 per cent., while loans without security are charged interest at the rate of 8 to 9 per cent. On *muddati hundis* some of the leading firms charge half per cent. less than on pro-notes. The volume of *muddati hundis* has declined considerably since the increase in the stamp duty. In Peshawar the total value of *muddati hundis* in a year is only about 4 lakhs, and that too because of the business in rediscounting with the Imperial Bank and the Chartered Bank. In the Peshawar bazaar, the *hundi* rates vary between 6 to 8 per cent. in the slack season and 7 to 9 per cent. in the busy season; and the general opinion is that the rates of the joint stock banks or even of the Imperial Bank have very little effect on the bazaar rates in Peshawar. The big shroffs in Peshawar are generally independent of the joint stock banks, the only

point of contact being that they sometimes buy bank drafts on places where they have no *arat* or *kothi* of their own, and sell their surplus *hundis* to the banks occasionally. Their contact with the Imperial Bank is a little closer. When the Imperial Bank rate is low enough, they find it profitable to borrow from it and lend to their clients at higher rate; but when the Imperial Bank rate rises they do not necessarily raise their own rates unless they borrow from the Imperial Bank on the distinct understanding that they will pay 1 per cent. more than the bank rate during the stipulated period. The most flourishing of the indigenous bankers consider it derogatory to avail themselves of any facilities from the Imperial Bank as they regard it as their competitor. They prefer to limit their business to their own resources rather than extend it by rediscounting with the Imperial Bank. They are thus uninfluenced by the bank rate policy of the latter. Against mortgage of property, the rate is generally between $7\frac{1}{2}$ and 12 per cent. according to the position of the property, but this has a tendency to go up owing to the delays in the law courts and the difficulties of realising money in mortgage suits. On the whole, the net earnings from banking are estimated to be between $4\frac{1}{2}$ to 7 per cent. In fact some of them have been investing substantial amounts in Government securities, as owing to the depression in trade, quite a number of merchants have failed in Peshawar.

215. In addition to remittance between the marketing centres in the North-West Frontier Province the indigenous shroffs do a considerable amount of remittance business between these centres and big cities like Karachi, Bombay and Calcutta. According to one estimate the total volume of *hundis* on Bombay and Karachi aggregates to about 2 crores each. In the city of Peshawar the rates of remittance have gone down considerably owing to the cheap remittance facilities offered by the Imperial Bank, and some of the leading indigenous bankers have been compelled to lower their remittance charges to 5 pice per cent. in order to maintain their position in the market against the Imperial Bank. These leading shroffs then gain practically nothing by remittance business except the use of money for about 4 or 5 days, for they have to pay 4 pice per cent. for Telegraphic Transfers,

2 pies per cent. to the broker who sells the *hundis*, 1 pie per cent. for expense on telegrams. Where there are no banks, they, however, gain substantial amounts by remittance. For instance, one of the firms charges 8 annas per cent. on remittance to Chaman where there is no bank. The indigenous bankers in the city of Peshawar have got connections with mofussil bankers of Mardan, Dera Ismail Khan, Charsada, Nowshera, Abbottabad, Haripur, Mansehra, Bannu, Thal, Hangu and Parachinar. Some of them have got their *arat* arrangements even in Kabul. Even small towns like Utmankhel, Kurram, Dargai, Hathian, Punondheri and Takht-i-Bai have now direct banking connections not only with Peshawar but also with Amritsar, Karachi, Bombay and other distant places. But with the growth of mofussil towns and their development into great centres of trade, the local shroffs and bankers are attracting local deposits and getting to be more and more independent of the big shroffs in cities like Peshawar. Some of these cannot employ their funds throughout the year; surplus funds, therefore, find their way into Peshawar. Money moves from one rural centre to another and from rural to urban centres if there is a difference of 1 to 2 per cent. in the rate of interest. But this movement of funds is a limited one owing to the fact that the busy season in different rural and urban centres generally coincides. Between Peshawar and Haripur, however, money moves to and fro more freely, because the *ghee* season in Haripur does not exactly coincide with the busy season in Peshawar. Generally, money moves from Peshawar to Dera Ismail Khan in the form of Kabuli coins, as the return in Dera Ismail Khan is somewhat higher. During about 1½ months preceding each season, money from the mofussil generally flows to the provincial capital as the mofussil trade has no use for it.

216. The indigenous shroff is generally held in high esteem in this province also. In fact the best merchants prefer to deal with the leading indigenous shroffs rather than with the banks, because they are generally believed to keep the secrets of their clients and to have their welfare at heart, and are bound to them by long-standing ties.

Their working expenses are very much lower than those of the joint stock banks and their methods of business are

Indigenous shroff in the North-West Frontier Province.

more in accord with the traditions and ways of the trading communities in the province.

217. The preceding review discloses several deficiencies in the system of indigenous banking. In the first place, the shroffs are cut off from all contact with the agricultural industry, even though they are willing to lend at rates of interest below 6 per cent. in the season when the agriculturist producer needs financing. In the second place, there is a general feeling of hesitation among the indigenous bankers in using fully their funds because of the difficulties in recovering money. Thirdly, from the point of view of the interest of the country as a whole, there is insufficiency of banking funds with an agency which alone can get into intimate relations with the public. Deposits are avoided by the indigenous banker because he keeps no reserve against it, and the *muddati hundi* is getting into disuse because of the stamp duty and is not generally employed for raising funds for financing trade and industry. Neither the pro-note nor a running account against which loans are granted can be rediscounted. Loans against mortgage of property are against the principles of commercial banking which should have its assets in a liquid form and should deal in only short period loans. There is a wide-spread distrust of the Imperial Bank among the bankers because it competes with them, and competes in their opinion unfairly by means of free funds from Government. There is no effective contact between the indigenous bankers and the Imperial Bank with the result that the Imperial Bank's rate is ineffective. And while there is some feeling of mutual help among members of the same caste, there is no association of indigenous bankers to keep up the standard of banking or devise measures for the furtherance of their common interests.

Our review brings out likewise the importance and strength of indigenous bankers as a financing agency for trade in these Areas. The evidence of the representatives of both the Indian joint stock banks and the Imperial Bank shows conclusively that they are at present the cheapest agency for extending banking facilities and that it is impossible to bring India into line with other progressive countries in respect of banking facilities except through the development of this agency. The Imperial

Bank is unable to utilize its large Government balances in the hot weather; and the Manager of the Northern India Branches of the Imperial Bank frankly admitted in his evidence before us that there would be no difficulty in extending the financing of agriculture in the sowing seasons, in reducing interest on loans against ornaments, in extending all kinds of business particularly loans against ornaments, remittance business and rediscounting of bills, in introducing cheques in vernacular, and in reaching places where no bank can be established, if the Imperial Bank could work through suitable agents and the indigenous shroff could be linked more closely with the Imperial Bank. On the other hand, signs are not wanting to show that the indigenous banker cannot stand in isolation, if he is to survive. The competition of the banks, particularly of the Imperial Bank, is already adversely affecting his business in the cities; and the world tendencies point to an increase in the size of the banking unit as the result of competitive forces. He can avert his gradual extinction only if he is linked more closely to organised banking. In our opinion this can be done in three different ways, *viz.*, (1) by making him a recognised shroff with certain privileges in return for definite obligations imposed on him, (2) by appointing him a guaranteeing agent of the Imperial Bank or a joint stock bank; and (3) by transforming him into a discounting and accepting house. It is not necessary to compel *every* one to fall into any of these three categories, it is enough to make it worth his while to do so. We are not in favour of insisting that the recognised shroffs shall do nothing else but banking; for this will only deter the best of them from availing themselves of the benefits of our recommendations. Moreover, trade and remittance business cannot, in our opinion, be completely divorced in the existing undeveloped state of the country without detriment to both trade and remittance business.

We therefore recommend in the first place that a class of licensed bankers be instituted, and that all indigenous bankers paying income-tax should be accorded certain privileges in return for certain obligations imposed upon them. Under the terms of their license they should be compelled, (1) to get their accounts audited by a qualified auditor who should draw up an annual balance sheet in the prescribed form disclosing among other things the

names of their partners and places of their business; (2) to become members of a shroffs' association in the nearest town and to agree to conduct their business in accordance with the rules drawn up by this association; (3) to agree not to charge beyond the scheduled maximum rates of interest for different kinds of business, fixed from time to time by the licensing authority on the recommendations of the association; and (4) to agree, in case they accept deposits from the public, to keep a cash reserve on a scale laid down by the Imperial Bank or the Reserve Bank on the recommendations of the shroffs' association against deposits received from the general public excluding the deposits of members of their firms, and to hold it either in Government securities or in securities approved by the Imperial or Reserve Bank lodged with the Imperial or the Reserve Bank, or in balances kept with the Imperial or the Reserve Bank.

In return for these obligations they should have in the first place ample facilities for recovery. In all cases in which they are parties to a suit it should be open to them to claim a special summary procedure for determination of their suits as also a special summary procedure for the execution of their decrees. A special legal enactment or directions of the High Court should lay down that no court of law shall be at liberty to vary the rates of interest, stipulated in the transactions to which these licensed bankers are parties, so long as these rates are within the prescribed schedule, or to refuse to award interest at the same rates after the date of the decree till full recovery is made.

Secondly, they should have a definite assurance that the Imperial Bank of India shall not be asked by Government to open a branch at a place where the licensed indigenous shroff is carrying on his business, except after giving an opportunity to the Licensing Board to consider the objections of the indigenous shroff within a certain time limit and submit its own recommendations to Government.

Thirdly, a licensed banker should be entitled (a) to remit, free of charge, through the post office, sums not exceeding a limit laid down by the central post office in consultation with the indigenous bankers' association or the Licensing Board, to notified places, against a current

account maintained with the head post office in district towns and never allowed to fall below a certain minimum monthly balance; (b) to remit funds through the Imperial Bank or the Reserve Bank at the same rates as are charged to all joint stock banks subject to the proviso that this will not preclude the granting of a differential rebate to any joint stock bank or banker whose total remittance in a year exceeds a specified amount; (c) to get a substantial rebate of duty on *muddati hundis* varying with the amount of *muddati hundis* used by each individual shroff in a year, provided this is found administratively feasible; (d) to have his *hundis* rediscounted by the Imperial or Reserve Bank on the same terms as joint stock banks, within the maximum limits, depending on his credit position in the market, fixed by the Imperial or Reserve Bank in each case on the recommendation of the association of licensed indigenous bankers, provided that this will not in any way fetter the discretion of the discounting authority to refuse or limit the advance to any particular individual; and (e) to repawn ornaments with the Imperial Bank or the Reserve Bank at a rate that leaves him a fair margin on advances against gold and silver ornaments under conditions prescribed by the Imperial Bank or the Reserve Bank from time to time.

Fourthly, in cases of application for declaration of insolvency by a licensed indigenous banker, it should be obligatory on the court to ask the local shroffs' association to elect a committee of four or five persons to examine and audit the account books of the licensed indigenous banker and investigate the applicant's fitness to be declared an insolvent before adjudicating him an insolvent.

In our opinion it would not be enough to carry out the recommendations contained in the preceding paragraphs. Attempts should be made to link some of the indigenous shroffs even more closely to the Imperial Bank, and we therefore suggest that in places where there is neither a branch of a joint stock bank nor that of the Imperial Bank at present, the Imperial Bank may, on the initiative of the Licensing Board, appoint, from among the licensed shroffs of the province, an agent on salary or commission basis on the following conditions:—

- (i) The agent shall guarantee a fixed minimum amount of business.

- (ii) The agent shall give a limited guarantee against losses arising out of the agent's mismanagement.
- (iii) The agent shall bind himself not to do any business with the bank's money or keep his own goods in the godown of the bank.
- (iv) The agent shall bind himself not to engage in speculation or combine trading with banking proper.
- (v) The agent shall remit without undue delay to the nearest treasury all deposits received on behalf of the Imperial Bank except a certain minimum balance agreed upon in the beginning of each year.
- (vi) Subject to limits fixed in each case by the Imperial Bank, the agent may be authorised to open and receive current accounts on its behalf, withdrawable by cheques as a matter of right only on its nearest branch, but as a matter of practice, if timely notice be given, also on the agent, to a limited extent notified from time to time. He may also be given limited authority to advance loans against ornaments or against produce kept in the Bank's godown, on a short notice to the provincial head office of the Imperial Bank and under conditions prescribed by the Imperial Bank from time to time.
- (vii) The Imperial Bank shall on the recommendation of the Licensing Board impose such restrictions on the agent as regards rates of interest as will prevent unfair competition with independent shroffs and branches of banks.

We suggest that the composition of the Licensing Board referred to in the preceding paragraphs should be as follows:—

- (a) Three representatives of the local shroffs association.
- (b) One representative of the Imperial Bank of India.
- (c) One representative of the Indian Joint Stock Banks.

- (d) One representative of trade and commerce nominated by the Local Government on the recommendation of the local chambers of commerce, if any.
- (e) An economist, or a public man interested in banking, nominated by the Local Government.

218. We are further of opinion that it would be worth while to throw special inducements to some shroffs to restrict their business to the functions of discounting and accepting houses, and to agree not to engage in any trade except purchase and sale of gold and silver or strictly commission or agency business on behalf of other traders, and not to draw *muddati hundis* themselves but only discount or endorse *hundis* drawn by others. We, therefore, recommend that the Imperial Bank, or the Reserve Bank, should in its rediscounting policy give a preferential treatment to those shroffs who agree to accept these limitations on their business, in the matter of limits up to which bills discounted by them will be rediscounted, and the Government should give a larger rebate on the duty paid on the *muddati hundis* by such shroffs.

219. We have already pointed out the importance of the *hundi*, both as an instrument of remittance and as a means of raising money for a short period. We regard it as essential to the success of the scheme we have outlined above that the use of *hundis* particularly *muddati hundis* should be increased considerably. We, therefore, think it desirable to encourage the use of a standard form of *hundi* printed in English as well as in the language commonly employed at present in each province by selling it a little cheaper than the ordinary stamped *hundi* paper. We recommend that the duty on usance bills be reduced by half, and that if the system of rebate is administratively feasible, a rebate on the reduced duty be granted to all shroffs who used in a year *hundis* exceeding the value of Rs. 10,000 in the aggregate, the rate of rebate increasing with the total amount of *muddati hundis* used, on a progressive scale. In view of the fact that bills of exchange payable more than one year after date or sight were at no time common here, and the bazaar does not look with favour on any *hundi* of a longer duration than one year, we recommend that bills of ex-

change payable more than one year after date, may be excluded from the benefit of the suggested reduction of duty. The Provincial Governments will no doubt have to face a loss of revenue, but as the Centrally Administered Areas are financed from the budget of the Government of India, we consider it unnecessary to make any suggestion as to the compensation to be paid to the Local Governments for the loss involved on account of the reduction of the duty.

APPENDIX I.

ENGLISH TRANSLATION OF THE DIFFERENT FORMS OF *HUNDIS* IN USE
IN THE PROVINCE OF DELHI.*Hundi.*

May God always protect us.

Opulence obtained, with salutations to Ganesh (God of wisdom and destroyer of all worries) to good place Lahore written to brother Kishan Singh from Lahore, Jumna Das sends greetings. Further have drawn on you one *hundi* for Rs. 100 (in words, Rupees One Hundred), half of which is Rs. 50 and double of that is payable. Paid here by brother Karan Singh. 21 days after the 12th day of the first half of the month of *Jaith* pay to *bona fide* person, cash rupees, current coin of the market, bearing the King's effigy, at the correct place, pay with due care.

(Signed) Jumna Das, accepts and pay <i>hundi</i> as per terms of <i>hundi</i> .
--

Hundi written on the — day of the first half of the month of *Jaith* in the year —.

Back of *Hundi.*

74½ written to Bhai Kishan Singh, address Dabbi Bazar, Lahore City.

Rs. 100.

In words, Rupees One Hundred, one-fourth of which is Rs. 25 of which four times the amount is to be paid.

(i) *Paint* or Duplicate.

May God always protect us.

Opulence obtained, with salutations to Ganesh (God of wisdom and destroyer of all worries) to good place Lahore written to brother Kishan Singh from Lahore, Jamna Das sends greetings. Further have drawn on you one *hundi* for Rs. 100 (in words Rupees One Hundred), half of which is Rs. 50 and double of that is payable. Paid here by brother Karan Singh, 21 days after the 12th day of the first half of the month of *Jaith*, was written to pay to *bona fide* person, cash rupees, current coin of the market, bearing the King's effigy, at the correct place, pay with due care.

(Signed) Jumna Das, accepts and pay Duplicate as per terms of duplicate.

The holder says that the *hundi* has been lost. If the *hundi* has been lost, then after consulting your cash book, ledger and scroll book, accept and pay the duplicate. If the *hundi* is presented first, the duplicate will become void and if the duplicate is presented first, the *hundi* will become void. One of the two documents is to be paid.

Hundi written the twelfth day of the first half of the month of *Jaith* in the year 1934, of which the duplicate written the fourteenth day of the latter half of the month of *Asarh* in the year 1934.

(Sd.) JAMNA DAS.

(Back of Duplicate.)

74½ written to Bhai Kishan Singh address Dabbi Bazar, Lahore city.

Painth.

In words, Rupees One Hundred, one-fourth of which is Rs. 25 of which four times the amount is to be paid.

(iii) *Parpainth* or Triplicate.

May God help us.

Opulence obtained, with salutations to Ganesh (God of wisdom and destroyer of all worries) to good place Lahore written to brother Kishan Singh, Jamna Das sends greetings. Further have drawn on you one *hundi* for Rs. 100 (in words, Rupees One Hundred half of which is Rs. 50 double of that deposited here by brother Karam Singh on the 12th day of the first half of the month of *Jaith*. It was written to pay, 21 days after, to *bona fide* person cash rupees, current coin of the market, bearing the King's effigy, at the correct place, with due care.

The holder says that the *hundi* has been lost so a *painth* or duplicate was written. To-day the holder says that *painth* or duplicate is lost, therefore a *parpainth* should be given. So after consulting your cash book, ledger, and scroll book, accept and pay the duplicate. If *hundi* or *painth* is presented first the *parpainth* will become void and if *parpainth* is presented first the *hundi* and *painth* will be void. Of the three documents only one is to be paid.

Hundi written on the 12th day of the first half of the month of *Jaith*, *painth* written on the 14th day of the first half of the month of *Asarh* and the *Parpainth* written on the 2nd day of the second half of the month of *Sawan* in the year 1934. All the three documents bear *Sambat* 1934 and signatures of Jamna Das which should be seen.

(Back of Triplicate.)

74½ written to Bhai Kishan Singh.

<i>Parpainth.</i>

In words, Rupees One Hundred, one-fourth of which is Rs. 25 of which four times the amount is to be paid.

(iv) *Chithi* or Letter.

May God help us.

Opulence obtained, with salutations to Ganesh (God of wisdom and destroyer of all worries) to good place Lahore written to brother Kishan Singh, Jamna Das sends greetings. Further have drawn on you one *hundi* for Rs. 100 (in words, Rupees One Hundred) deposited by Karam Singh, 21 days after the 12th day of the first half of *Jaith* to be paid to the *bonâ fide* person, cash rupees, current coin of the market, bearing the King's effigy.

The holder says that the *hundi* has been lost so a *painth* was written; again the *painth* was lost and then a *parpainth* was written. To-day the holder says that the *parpainth* is also lost and so now a *chithi* or letter should be given. So after consulting your cash book, ledger and scroll book accept and pay the *chithi* or letter. Of the four documents only one should be paid. *Hundi* written on the 12th day of the first half of *Jaith*, *painth* on the 14th day of the first half of the month of *Asarh*, the *parpainth* on the 2nd day of the second half of the month of *Sawan* and the *chithi* on the 14th day of the 2nd half of the month of *Magh Sambat* 1934. See in all the four documents the signature of Jamna Das.

(Back of *chithi*.)

74½ written to Bhai Kishan Singh.

Chithi.

Rs. 100.

In words, Rupees One Hundred, one-fourth of which is Rs. 25 of which four times the amount is to be paid.

(v) Receipt of *Khokha* (Discharged *hundi*).

May God always protect us.

Opulence obtained with salutations to Ganesh (God of Wisdom and destroyer of all worries) to good place Dwarka. Letter

written to brother Hari Chand from Sheo Dass who sends greetings. We had received for collection *hundi* for Rs. 65 (Rupees Sixty-five) payable to Mohan Lall, on Kunj Behari Lall, favouring Gordhan Das, payable 21 days after the seventh day of the latter half of *Mangsir* to *bonâ fide* person cash rupees in the currency of the market. The above *hundi* has been presented. We have received the money and credited to you. We have not given the discharged *hundi* as we have lost it. So we grant this receipt. Dated the 2nd day of the latter half of *Chait Sambat* 1934.

(Sd.) SHEO DASS.

(vi) *Tikri*.

May God always protect us.

Opulence obtained, with salutations to Ganesh (God of wisdom and destroyer of all worries) to good place Dwarka. Letter written to brother Mohan Lall from Har Dayal, who sends greetings. We had sold *hundi* for Rs. 65 (Sixty-five) from Dwarka on Sanwal Das, by Radha Kishan, favouring Ladli Pershad, dated 10th day of *Bhadon* Sambat 1934, payable to *bonâ fide* person, in the currency of the market, to brother Baldeo Sahai Gopi Nath who informs us that the *hundi* is unpaid. If this *hundi* has been paid well and good. If not please pay this *hundi* as stated in this letter debiting the amount to our account and return the *hundi* unendorsed to us.

Letter written 11th day of the latter half of *Katak*, Sambat 1935.

(Sd.) HARDAYAL.

(N.B.—This is not the form generally used in the case of a *Tikri*. The usual practice is to insert the name of the *Tikriwala* on the top right hand corner of the *hundi* itself.)

APPENDIX II.

SPECIMENS OF HUNDIS RECEIVED FROM AJMER BANKERS.

Hundi payable at sight.

Begins in the name of God after usual compliments.

Whereas Rs. 1,000 (Rs. One thousand only) double of Rs. 500, the half, have been deposited here by (name of depositor) on (date of deposit) hence on receipt of *shahjog hundi* the amount must be paid in current coin.

Date of issue.

Signatures of owner or munim of the firm.

Hundi payable after a specified period.

After usual compliments.

Whereas a sum of Rs. 1,000, the double of Rs. 500, the half, has been deposited here by (name of depositor) on (date of deposit) you are hereby asked to pay the amount of this *shahjog hundi* in current coin after — days on maturity.

Date of issue.

Signatures.

First Letter of Credit.

After usual compliments.

Whereas a *hundi* for Rs. 1,000 (Rs. one thousand) double of Rs. 500, the half, deposited by (name of depositor) was issued on (date of issue); the payee says that the *hundi* is lost. If so, you should carefully examine your *Roznamcha*, Ledger, Cash Book and *Nakal* and then honour this letter of credit. If you have already cashed the *hundi* then this letter of credit may be considered as cancelled and you may return it after reading. We have drawn 2 *sanads* on you but credit for one will be given.

Date of issue.

Signatures.

Second Letter of Credit.

After usual compliments.

Whereas a *hundi* for Rs. 1,000, double of Rs. 500, the half, deposited by _____ payable on sight was issued on _____ and a letter of credit for the same was issued on _____; the payee says that both of them have been lost. If so you should carefully examine the *Roznamcha*, Ledger, Cash Book and *Nakal* and then honour this letter of credit. If you have already cashed the *hundi* or the 1st letter of credit then

this second letter of credit should be cancelled and you may return it after reading it. We have drawn 3 *sanads* on you but credit for one only will be given.

Date of issue.

Signatures.

Third letter of credit.

Greetings from Shroff *Panches* of _____ to the
Shroff *Panches* of _____

Whereas a *hundi* for Rs. 1,000 was drawn by _____ on _____ in favour of _____ payable on sight and a letter of credit was issued on _____ but the payee says that the *hundi*, the 1st letter of credit and the 2nd letter of credit, all have been lost. If they have been lost you should carefully examine your *Roznamcha*, Ledger, *Nakal* and Cash Book of the drawee and then honour this letter (*Malyarnama*). If the *hundi* or any letters of credit have been cashed then this *Malyarnama* is cancelled and you may read and return it. Four *sanads* have been drawn upon the drawee but credit for one will be given.

Witnesses (five).

Date of issue.

Signature.

Darshani hundi.

Sidh Sri Bombay Bunder subh sathaner Bhaiji Sri Champalalji Ram Swaroopji jog likhi Nayanagar sun Bhimraj Punamchand ko juhar banchaosi aprench *hundi* rupaiya 500 akhre panch so ke neme rupaiya arahi so, ke duna pura athe rakhia, Bhai Kaluram Pusa Mal pas sao jog rupaiye *hundi* calan ka dijo—Sambat 1986 ka Katik Badi.

Daskat.

Mudatti Hundi (Hundi stamp).

Sidh Sri Nayanagar subh sathaner Bhaiji Sri Bhimraj ji Punamchandji jog likhi Nayanagar sun Bhimraj Punamchand ko juhar banchaosi aprench *hundi* naqad rupaiya 500, ke akhre rupaiya panch so, ke neme rupaiya arahi so, ka duna pura athe rakhya, Bhai Kaluram Pooamal pas the din tinso gunsath, 359 piche punga sao jog rupaiya *hundi* chalan ka dijo. Sambat 1986 ka Katik Badi 11.

Daskat.

Chithi.

Sidh Sri Nayanagar subh sathaner Bhaiji Sri Bhimrajji Punamchandji jog likhi Todgarh sun. Hazari Mal Beharilal ko juhar banchaosi aprench rupaiya 500, akhre panchso hamare

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khatē bahi Bane Chand Kistur Chand Todgarh wala ne dijo, aur rasid bharpai karaliyo athe saru kam kaj hove so likhaosi. Sambhat 1986 miti Katik Badi 11.

Daskat.

Chithi.

Sidh Sri Nayanagar sub suthaner Bhaiji Sri Bhimrajji Punamchandji jog sri Todgarh sun Hazari Mal Beharilal ko juhar banchaosi aprench rupaiya 500, akhre panch so, hamare khatē se Otarmal Chaturbhuj Ji ke khatē jama Karna rasid likhane bhej dijo; athe saru kam kaj hove so likhaosi. Sambat 1986 Katik Badi 11.

Daskat.

CHAPTER XXII.

JOINT STOCK BANKS INCLUDING EXCHANGE BANKS AND THE
IMPERIAL BANK OF INDIA.

220. Besides the indigenous shroff, whose activities we have noticed in the preceding chapter, we have in these Areas several branches of the Indian joint stock banks, exchange banks and the Imperial Bank. Among the Indian joint stock banks, the Central Bank of India operates in Delhi; the Punjab National Bank in Peshawar, Dera Ismail Khan and Delhi; the Peoples' Bank of Northern India in Peshawar city, Peshawar Cantonment, Hoti-Mardan, Kohat, Nowshera, Bannu, Dera Ismail Khan and Delhi; the Lyallpur Bank in Abbottabad, Bannu, Dera Ismail Khan and Delhi; the Muslim Bank in Peshawar and Delhi, the Frontier Bank in Peshawar, Bannu, Dera Ismail Khan, Kohat, Lakki and Delhi, and the Bharat Bank in Delhi only. Of the Exchange Banks, the Chartered Bank of India, Australia and China has branches in Peshawar and Delhi, while the Mercantile Bank of India and the Lloyd's Bank, and the National Bank of India maintain a branch each in Delhi only. The Imperial Bank of India has four branches in the North-West Frontier Province, one each in Peshawar city, Peshawar Cantonment, Abbottabad, and Nowshera; two in the Province of Delhi, one in Old Delhi and the other in New Delhi; and one in Ajmer. None of these banks publishes any separate statements for their branches; and except for a few details given by the Imperial Bank and two Indian joint stock banks we have not been able to obtain any statistical information regarding the operation of the joint stock banks in these three provinces. We have therefore to content ourselves with such information as could be gathered from the evidence tendered before us and from personal interviews which members of the Committee had with agents of some banks.

221. The Indian joint stock banks make a special effort to attract deposits. Most of the deposits are fixed deposits generally for 6 or 12 months, and rarely for more than one year.

Deposits.

Even in a bank which makes a special effort to encourage savings deposits, 50 per cent. of the deposits are fixed deposits, and only 25 per cent. current deposits and 25 per cent. savings bank deposits. In other banks the proportion of fixed deposits is very much higher. For fixed deposits the rates are substantially higher than for savings or current account deposits. They thus get the bulk of their funds at a much higher rate of interest than the Imperial Bank and the exchange banks which have a much larger proportion of current deposits, for which they pay nothing or practically nothing. Very few indigenous bankers keep deposits with them except occasionally when the bazaar rate of interest is lower than their deposit rate.

222. In the absence of statistical information, it is not possible to say with any reasonable certainty how much of

the amount collected by way of deposits is invested by these banks locally; but the general trend of evidence suggests

that in most cases the local investments are much less than the deposits. They shun the agriculturist even more than the indigenous banker. None of them finances local industries. A few years ago substantial amounts were advanced by Indian joint stock banks in Delhi against mortgage of property; but this has now declined considerably. Of the two joint stock banks in Delhi which favoured us with percentages to the total of the different kinds of investments made by them, one bank has invested in mortgages only 2·3 per cent. of its total investments, the other only 7 per cent. The practice in Peshawar seems to be very nearly the same, for the only bank which supplied us information on this point had invested in mortgages to the extent of only $7\frac{1}{2}$ per cent. of its total investments. The general tendency is to avoid lending against mortgages. As to the other investments of these two Delhi banks, the first has invested 33 per cent. in over-draft and loans, 20 per cent. in the discounting of bills, 5 per cent. in demand bills and 30 per cent. in Government securities. The second has invested 38 per cent. in over-drafts and cash-credits, 19 per cent. in loans against personal pro-notes, $14\frac{1}{2}$ per cent. in jewellery and fixed deposits, $12\frac{1}{8}$ per cent. in demand drafts and $9\frac{1}{2}$ per cent. in foreign bills. The business of the Indian joint stock banks in demand drafts is increasing both in Delhi and the North-West Frontier Province. One of the Indian

joint stock banks in Delhi sold in a single year as much as $1\frac{1}{2}$ crores worth of drafts on its own branches in port towns alone. A large part of this business in demand drafts is in reality re-discounting of *darshani hundis* of the indigenous shroffs in Delhi. The banks also do a certain amount of collection business against railway receipts presented by customers who export goods to other places. But their main business in Delhi consists of advances against agricultural produce, popularly known as the business of *khatīs* in the neighbouring *mandīs* of Delhi, e.g., Hapur. The banks take possession of *khatīs* of grain or cotton and advance 60 to 80 per cent. of the estimated value of the produce stored in them. They have a limit on the amount of business in demand drafts or usance bills or cash credit, which they consider safe to transact with each client. This limit is fixed according to the general standing and reputation of each party and is not automatically raised according to the amount of the *bonā fide* trade transactions done by the parties in any particular season. It is only in the case of loans against documentary bills that there is no limit except the margin of 10 to 20 per cent. for safety.

The rate of interest charged by the Indian joint stock banks varies with the season. It is never less than 1 per cent. over the Imperial Bank rate with a minimum of 6 per cent. Of the three banks in Delhi which have supplied figures to us, the maximum rate of one has never gone beyond 8 per cent. during the last five years, that of the second went up to $10\frac{1}{2}$ per cent. and that of the third even to 12 per cent. The minimum rate of interest in two cases was 6 per cent. and in the third case $7\frac{1}{2}$ per cent. The rate for discounting *mayādī hundīs* is generally $\frac{1}{2}$ per cent. less than this, as the borrower has to pay the stamp duty. Against house property the rate charged is generally 9 per cent. and never less than 8 per cent. The general rates of interest in Peshawar in the busy season are higher than those in Delhi. The rate for loans on pro-notes rises in the busy season to 9 per cent. in Delhi, but in Peshawar it goes up sometimes even to $12\frac{1}{2}$ per cent.

The Indian joint stock banks do not feel the competition of the indigenous bankers; but they complain of severe competition (1) by the exchange banks because of the cheap

money they are able to get by way of current deposits, (2) by the Imperial Bank because of the free funds of Government, and (3) by the co-operative central banks because of the high rate of interest which they offer on deposits, coupled with Government patronage to them. They also complain of the inordinate delays in the execution of decrees and the disputes that arise about title to property in mortgage suits.

223. We have had no evidence from the exchange banks except a general memorandum by the British members of the Associated Exchange Banks submitted to the Indian Central Banking Enquiry Committee. It gives us no detailed information either as to the volume of business or the kinds of business transacted by the exchange banks operating in these Areas. We can only say in a general way that the exchange banks compete with other credit agencies in every kind of banking business and practically monopolise the financing of trade in commodities imported from foreign countries into these Areas. When goods are shipped to India, bills are invariably drawn against them, and the exchange banks either make advances against these documentary bills or else accept them for collection on behalf of the shippers. The goods usually arrive at their port of destination before the relative bills mature and these banks clear and store the goods as soon as possible. The rate of interest on clearing charges has been fixed by the Delhi Exchange Banks Association at as high a figure as 10 per cent. per annum. In order to enable the importer to retire his bills easily, the exchange banks are generally willing, upon the arrival of the goods, to grant him a loan against payment of a margin and clearing and duty charges. This margin is generally 20 per cent. On account of the large number of bills sent to them for collection, these exchange banks generally have surplus funds in Delhi, which they remit to ports by buying *darshani hundis* of the indigenous bankers or Telegraphic Transfers of the Imperial Bank of India.

224. The Imperial Bank of India is treasurer to Government and local bodies, and owing to its prestige as such is able to attract considerable deposits from these Areas at cheap rates of interest. The deposits are the largest

The Imperial Bank of India.

in Delhi; the North-West Frontier Province follows next, and Ajmer-Merwara takes the third place. The number of depositors keeping current accounts and Savings Bank Accounts has increased appreciably in all the three provinces, but the number of those who keep fixed deposits with it shows a perceptible decline in two out of these three areas. The total amount of deposits has increased in two of these provinces and fallen in the third; while the amount of fixed deposits has fallen in two and has increased in the third.

225. Only a small portion of the amount collected as deposits by the Imperial Bank in these Areas is actually utilised by it for the purpose of financing local trade and industry; and as a result of opening branches of the Imperial Bank there is a marked tendency to divert a very large portion of local funds from local trade and industry to other provinces.

How far the Imperial Bank of India finances trade and industry.

226. Turning to local investments in these Areas, we find that the total of its loans granted and inland bills and bills discounted has increased, during the years 1925-29, in two of these Areas and decreased in the third. It has advanced nothing on the security of agricultural land. Recently the bank has started a system of granting loans against gold ornaments at 7 per cent. interest and this kind of business is increasing, but has not yet gained any considerable popularity among the agriculturists. It advances to co-operative central banks loans against Government securities, but no amounts have been advanced to the Delhi Co-operative Central Bank on the security of promissory notes of its societies. The Imperial Bank in these Areas plays no part in financing manufacturing concerns. Its rate of interest in the busy season is far too high even for the seasonal needs of the cotton industry in Delhi. It, however, advances substantial amounts against produce stored in *mandis* in the neighbourhood of Delhi, but these advances are generally made to commission agents, who in turn finance agriculture. In recent years it has not financed the piece-goods trade to any appreciable extent. Its advances against *hundis* have declined considerably in two of the three Areas during the four years 1925 to 1929. Its business in demand drafts in Delhi and North-West Frontier Province appears to be a growing one, and it is

The Imperial Bank's local investment.

estimated that it provides nearly 50 per cent. to 70 per cent. of the finance required for moving produce out of these provinces. It not only rediscounts the demand drafts of the indigenous shroffs but also buys them direct from the dealers in the market. The rediscounts are comparatively few, and there is more and more direct competition between the indigenous bankers and the Imperial Bank. The indigenous shroff, however, derives indirect help from the Imperial Bank in this business. At places which the Imperial Bank cannot reach, he goes out and buys drafts. He then sends them direct to the port and obtains a return of the funds by drawing drafts through the Imperial Bank or his agent at the port.

227. The most encouraging feature of the results achieved by the Indian joint stock banking is the beginning they have made in fostering cheque habit. The abolition of stamp duty on cheques has undoubtedly stimulated this habit, specially among persons with comparatively small incomes. From the figures supplied to us by the Imperial Bank of India we find that during the period 1925 to 1929 the number of current accounts with its branches in Delhi increased by 68 per cent. while the number of cheques issued rose by 105 per cent. The average amount per cheque, however, decreased from Rs. 3,600, in 1925 to Rs. 2,193 in 1929. In the case of the other two Areas, there has been no appreciable increase in the number of current accounts but the number of cheques issued in 1929 increased by 23 per cent. in the North-West Frontier Province and by 55 per cent. in Ajmer-Merwara over the corresponding figures for 1925. The average amount of each cheque was Rs. 1,122 and Rs. 1,174 respectively in 1925, and Rs. 1,111 and Rs. 749 in 1929. The Indian joint stock banks do not appear to be making sufficient efforts to popularise their current accounts beyond offering a more or less nominal rate of interest on them. It is sometimes argued that the keeping up of petty accounts is not as a rule remunerative to banks, but it must be remembered that as long as the Indian joint stock banks depend for funds mostly on fixed deposits they will have to pay high rates in competition with gilt-edged securities, stocks and shares, etc., and will be obliged to charge in return high rates of interest on loans, which is bound to militate against the growth of their business.

We regard it as essential for the development of banking habits to stimulate the use of cheques. Government and public bodies can play a great part in the development of the cheque habit, and it is only proper that they should give a lead in this matter. We are of opinion that tax collecting departments, law courts, etc., should freely accept cheques on banks, licensed shroffs or central co-operative banks and pay their employees drawing over Rs. 200 per month by cheques. And we see no reason why railway companies should not accept from *approved* customers payment by cheques on banks and bankers. We have recommended elsewhere that the post offices should accept freely cheques for deposit in the savings bank accounts, and allow a limited number of clients to keep current accounts with them under certain conditions. We suggest further that subject to a limit on the value of the cheque and to restrictions as to the number of times per week cheques may be drawn, cheques should be allowed to be issued against savings bank accounts in selected post offices and branches of the Imperial Bank, provided that in case of demand for cash payment a few days notice is given to the office of the bank concerned.

The cheque habit is at present confined to urban areas and to the educated classes who know English. A few banks at present allow cheques to be signed in vernacular, but it has been stated that difficulties have been experienced in deciphering signatures in vernacular. We do not consider this objection a serious one as banks are staffed mostly by Indians. Besides, a large proportion of *hundis* are signed in vernacular and we have had no evidence of any difficulties having been experienced in dealing with such *hundis*. We would suggest that the use of cheque forms printed in English with translation in the principal language of the mercantile community in each province should be encouraged and signatures in vernacular should be freely accepted in case of cheques collected through a joint stock bank or a licensed indigenous shroff.

228. We have considered carefully the question whether the Negotiable Instruments Act, 1881, should be amended so that cheques, bills of exchange, etc., which are expressed on the face of them as drawn to bearer should not in

Issue and acceptance of cheques by Government and public bodies.

Use of vernacular script in bank accounts and cheques.

Amendment of the Negotiable Instruments Act.

any circumstances lose their character as bearer instruments on account of their having been endorsed. The ordinary banking practice in India was to treat all negotiable instruments drawn to bearer as negotiable by delivery in all circumstances irrespective of any endorsement that might have been made on them. But since 1924, when the Bombay High Court gave a ruling that under section 50 of the Negotiable Instruments Act, and the explanation thereunder, a bearer bill could be equally changed to an order bill by endorsement, it has become incumbent on bankers and the business community to scrutinise all endorsements on bearer instruments. In the opinion of the majority of the Committee, consisting of the Chairman, Nawab Major Mōhammad Akbar Khan, Mr. Gray and Mr. Chablani, this imposes a very considerable amount of extra work on the banks without any appreciable advantage to their constituents or to the public, and impedes the free circulation of these instruments of credit. They are, therefore, of opinion that the Act should be amended so that no endorsement on a cheque payable to bearer should operate to restrict its negotiability. It would still be open to the holder of such an instrument to protect himself against loss by "crossing" it. The minority consisting of Kanwar Mōtilal and Lala Bal Kishen are opposed to this recommendation on the ground that it will deprive the holder of a bearer instrument of his right to protect himself. All the members of the Committee are, however, agreed on the point that *hundis* should be excluded from the scope of this amendment in view of the common practice to give instructions regarding the method of payment on the face of these documents, and that the protection afforded by the system of "crossing" should extend to *hundis* also. They are also unanimous in holding the view that the existing law under which any holder of a cheque or a bill of exchange can alter at any stage the character thereof from 'bearer' to 'order' by running his pen through the word 'bearer' should not be interfered with.

229. Complaints have been made to us during the course of our enquiries that the competition of the Imperial Bank of India with Indian joint stock banks and indigenous bankers is very much keener than that of the late Bank of Bengal before the amalgamation of the Presidency Banks.

Complaints against the
Imperial Bank of India.

and that it has extended its operations into fields which the Bank of Bengal did not enter. It was stated, for instance, that the Bank of Bengal did not advance money against ornaments, grain, cotton and merchandise, which the Imperial Bank of India does. There is substantial justification behind this complaint. It was admitted by the Manager of the Northern India Branches of the Imperial Bank that the Bank of Bengal did not advance against ornaments, made very few advances against grain, and acted more as a banker's bank than as a commercial bank. As the sole banker of Government, large Government balances remain with the Imperial Bank free of interest, and owing to its prestige in the market it does attract deposits at cheaper rates than Indian banks and bankers can. The cheap capital thus obtained enables it to lend also at cheaper rates in competitive business. Being prevented by the Imperial Bank of India Act from competing with exchange banks in financing imports, the whole pressure of its competition falls upon the indigenous banker and the Indian joint stock banks. The position will continue to be unsatisfactory for the Indian banks and bankers until either a non-competing Reserve Bank is established or restrictions are imposed on its borrowing and lending rates. We feel that a proper re-discount bill market will be very difficult to develop in India without establishing a Reserve Bank which does not deal directly with the public except on occasions when its open market operations are necessary to establish its control over the money-market; but till this proposal materialises, we recommend that the Imperial Bank should be induced to charge an appreciably lower discounting rate to licensed indigenous bankers and Indian joint stock banks than its discounting rate for the public. We further suggest that in fixing its rate of interest the Imperial Bank of India should show due regard to the prevailing rates of interest paid on deposits by Indian joint stock banks and licensed shroffs, and that on a requisition by the local agents of any two of the Indian joint stock banks or licensed shroffs the local Licensing Board should have the power to investigate allegations against the Imperial Bank of India in this behalf and report the result to the Managing Governors of the Imperial Bank.

230. We agree with the Manager of the Northern India Branches of the Imperial Bank that there are great pos-

sibilities of increasing the business of advancing loans against gold and silver ornaments and reducing the rate of interest on such advances during the slack season, if the Imperial Bank could work through agents who can protect the clients from undue publicity and who are in more intimate touch with the public particularly the agriculturists. We would, therefore, recommend that the Imperial Bank should encourage licensed shroffs and joint stock banks to advance loans against gold and silver ornaments by charging them a lower rate of interest on the repawning of these ornaments. The rate of interest on such advances should not be a fixed rate as at present, but should vary with the season, coming down particularly during the months in which the agriculturist needs money for sowing operations, but the rate once fixed should not be changed during the currency of the loan.

231. We have in the preceding chapter referred several times to the general complaint against the Imperial Bank of India, regarding its rates of remittances and the apprehensions that it has aroused in the minds of the indigenous bankers that it is attempting to cut the rates, in a kind of a competitive war with them, with a view to drive them out of the business of remittance in big centres of trade. It is no doubt true that the reduction in the rates conduces to the benefit of big business men in big cities. But their interests are not the only interests to be taken into account. The indigenous banker can reach places which no joint stock bank can, and if the joint stock banks are given concession rates in the interest of banking development as a whole, the same reasons hold good in the case of indigenous shroffs. It is no doubt difficult in practice to distinguish between a mere merchant and an indigenous banker. But the proposal which we have already made for the institution of a class of licensed indigenous bankers will remove this difficulty altogether. If the indigenous banker is to survive, and the Manager of the Northern India Branches of the Imperial Bank himself said that he (indigenous banker) should, as it was impossible for the joint stock banks to open branches in all places where he functions, he should not be ousted completely from remittance business in all big centres of

Advances against gold and silver ornaments by the Imperial Bank of India.

Co-ordination of various credit agencies.

trade. He should be left a margin for himself and the interests of the public can easily be protected by binding him down to charge reasonable rates to the public. We need not dwell further on this point as we have already said enough on this subject in the chapter on indigenous bankers.

We are also of opinion that the Imperial Bank should restore the concession to its customers of free remittance up to Rs. 5,000, as the system was encouraging the cheque habit, facilitating remittance, and enabling the Imperial Bank to function as a banker's bank.

232. Another complaint brought to our notice during the course of the evidence taken by us is that the Imperial Bank of India's list of approved customers is a limited one, and that the rule that a customer who wants his *hundis* to be discounted must get them endorsed by an endorsing shroff nominated by the bank causes great inconvenience in places where the number of such endorsing shroffs is limited to two or three. This is, however, a matter of administrative detail, and we have not the slightest doubt that the Imperial Bank, in its own interest, will widen the list so as to remove all legitimate causes of complaint.

233. In view of the complaints regarding difficulties of recovery by joint stock banks, we recommend that the privileges, which we have suggested for the licensed indigenous bankers in the matter of recovery of their dues, should be extended to joint stock banks. The evidence before us also suggests the possibility that, subject to limits which prudence dictates in commercial banking, some of the joint stock banks would be inclined to invest appreciably more in loans against mortgage of property if some of the privileges which we have recommended for the land mortgage banks are extended to them. We would therefore suggest that such joint stock banks and licensed indigenous shroffs as are prepared to give long period loans against mortgage of property repayable in instalments extending over not less than 15 years, may be accorded the following privileges:—

- (i) They should have power to recover their instalments of mortgage loans to the agriculturists as

arrears of land revenue during years when the village crops are 8 annas in the rupee or above, and may pay through the Government a commission of $\frac{1}{2}$ per cent., on all sums recovered, to the *patwari*.

- (ii) They should be given free access to the village records and the records of the Registration Department.
- (iii) They should, subject to the protection afforded to the agriculturist under the Land Alienation Act, have the right to apply to an executive officer named by the Local Government, within a certain time-limit not exceeding 3 months after default in the payment of the instalment, to sell the property by public auction after giving the defaulter 3 months' notice to pay the instalment, without any reference to a court of law, provided that they shall have liberty to enter into possession for a period not exceeding one year after default without selling the property by public auction in case they feel they are likely to realise more by postponing the sale of the land.

234. There remains to be noticed one general complaint against the branch policy of all joint stock banks, including the exchange banks and the Imperial Bank, and the investment policy of the investing agencies, like insurance companies. The branches of quite a large number of banks aim more at collecting deposits than helping the development of the local areas by financing local trade and industry. We have already drawn attention to the small proportion of the amount collected by means of deposits by the Imperial Bank, which is invested in the financing of local trade and industry in the three provinces. We have no statistical information about the other banks but the general trend of evidence and such information as we have been able to collect confidentially from interviews shows that this practice is more or less general. The same policy seems to be pursued by the insurance companies. We, therefore, recommend that every branch of a bank including those of exchange banks and the Imperial Bank should be compelled by law to invest a certain minimum percentage of their

deposits and bill collections within a specified banking circle in which the branch is situated, the percentage in each case being fixed by the Licensing Board for indigenous bankers after hearing objections by the party concerned, provided that the amount invested in Government of India securities shall count towards this fixed minimum. Every insurance company operating in India should be similarly obliged to invest at least half of its net realisations from premia in India, of which 50 per cent. must be invested in specified local areas from which premia are collected, the amount invested in the Indian Government securities counting towards the minimum in either case.

Similar considerations apply to investment of funds attracted by Government; and we would, therefore, suggest that a specified portion of the amount in the hands of Government on account of post office insurance and contributions to the Provident Fund should be earmarked for long period credit to local agriculture and industry through the Imperial Bank for the present and through land mortgage banks and industrial banks when they are established.

Our colleague Mr. Gray does not wish to impose the restrictions, we have recommended, on exchange banks which have their head office outside India, and would limit the proposed restrictions on insurance companies to only such of them as start operations after our recommendations are put into effect.

CHAPTER XXIII.

GOVERNMENT.

235. In India the functions of Government include granting of loans to certain classes under prescribed conditions as well as attraction of deposits and encouragement of the investment habit. Apart from loans to local bodies and to Government employees to a limited extent, Government finances agriculture by its system of *takari* loans, and by occasionally lending money to co-operative institutions. There are no land-mortgage banks in these Areas, except in Ajmer-Merwara, and Government has had so far no occasion to buy debentures of land mortgage banks, there being no debentures even in the case of the Ajmer mortgage institutions. Nor is any Industries Act in operation in these Areas to necessitate any state aid to industries. The co-operative institutions in Delhi and Ajmer-Merwara are now independent of Government funds; and Government's activities as a credit agency are practically restricted to *takari* loans.

236. The grant of *takari* loans has been a feature of the British revenue policy in India from the earliest times. Various regulations and enactments for the grant of *takari* were in force before 1883 when the Land Improvement Loans Act was passed, followed by the Agriculturists Loans Act of 1884. The former provides for the grant of loans for improvements such as construction of wells, drainage, reclamation, etc. The loans are repayable in instalments within the period fixed by the sanctioning authority, the maximum period allowed being 20 years in the North-West Frontier Province and Ajmer-Merwara and 15 years in the Delhi Province. The rate of interest charged is 6½ per cent. in the first two Areas and 6 per cent. in the third. Under the Agriculturists Loans Act, loans are granted for the purchase of cattle or seed, or for the relief of distress due to destruction of crops by draught, floods, blight, etc. The maximum period allowed for repayment is 10 years in the North-West Frontier Province, 2 years in the Delhi

Province and 20 years in Ajmer-Merwara. The rates of interest are the same as those under the Land Improvement Loans Act. In normal years loans are granted mainly for the purchase of cattle but in years of scarcity additional funds are granted for the purchase of seed, fodder, etc. In Ajmer-Merwara loans under this Act are granted only in times of scarcity and famine.

The following table shows the advances made under these Acts during the three years ending 1927-28 :—

Province.	1925-26.		1926-27.		1927-28.	
	Land Im- provements Loans Act.	Agriculturists Loans Act.	Land Im- provements Loans Act.	Agriculturists Loans Act.	Land Im- provements Loans Act.	Agriculturists Loans Act.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
North-West Fron- tier Province.	30,800	31,500	74,590	1,09,950	2,33,809	2,21,975
Delhi	12,350	9,910	11,600	14,080	25,000	20,890
Ajmer-Merwara	72,206	13,650	44,956	52,505	6,000	100

The amounts thus advanced are small in the aggregate, and, compared to other sources of borrowing, Government plays a very minor part in the financing of agriculture. During the course of our enquiry we have had considerable evidence to show that the popularity of *takavi* loans is undermined by vexatious delays in dealing with applications, the inadequacy of the amounts sanctioned, the strictness of recovery, and the increase in the *real* cost of these loans to the agriculturist on account of various causes. Almost everywhere we noticed a general feeling that, in spite of the low rate of interest charged by Government, it was preferable to borrow from the village co-operative society and in many cases even from the *mahajan* or the agriculturist *sahukar*. We feel, however, that these difficulties are not inherent in the system and can easily be removed. But there should be proper co-ordination among the various credit agencies so as to prevent over-lapping, and the financial assistance rendered by Government should be granted not in a haphazard fashion but in accordance with a programme drawn up by agricultural experts. If

the recommendations regarding crop loans which we have made elsewhere are put into effect, we see no justification for Local Governments departing from their existing practice of giving loans under the Agriculturists Loans Act only in times of scarcity or famine except to the extent of helping co-operative credit societies and licensed *mahajans* to repay crop loans to the Imperial Bank of India in years when their borrower's crop has wholly or partially failed. In the case of loans under the Land Improvement Loans Act, periodical enquiries should be made as to how far *takavi* advances for improvement of land have actually increased the annual income from the borrower's land above the rate of interest paid by him to Government. And for the better administration of the Act in future, we recommend that a periodical examination of each village should be made by an agricultural expert under the control and directions of the Development Board, which we have suggested below, and a ten years' programme of improvements that are economically justified in each village should be drawn up. This programme should be carried out either by the Agricultural Department on the application of the owners concerned, the State realising its interest charges as addition to the land revenue, or by the owners borrowing, on the recommendations of the Agricultural Officer, the necessary amount either from the Government or a land mortgage bank.

We consider it desirable to eliminate wherever possible the Revenue Staff in the matter of paying and receiving back money on account of *takavi*, which, in our opinion, should be done by cheques on the nearest post office, a joint stock bank, a co-operative central bank, a licensed indigenous shroff or a branch of the Imperial Bank, sent through the post office.

237. We have already described the part played by the Post Office as an agency for investment and for remittance.

Post Offices. In rural areas, post offices and co-operative societies are the only agencies of investment; but rural co-operative societies are more or less regarded as lending institutions and do not attract considerable deposits. Until, therefore, the co-operative spirit is sufficiently developed and these societies come to be regarded as centres of investment, we have to rely almost

wholly on post offices to stimulate the investment habit in rural areas. There is at present one post office savings bank for every 24,000 rural inhabitants in the North-West Frontier Province and for 11,000 in the Provinces of Delhi and Ajmer-Merwara. To make the facilities offered by them available to a larger number of persons, the number of post offices doing savings bank business should be increased. In places where it may not be a paying proposition to the Postal Department to raise the status of an ordinary post office to a regular banking office, it should not be very difficult to arrange for the transaction of savings bank business once a week for 3 or 4 hours during the day either by utilising the existing agency or through special touring officials, one for 4 or 5 post offices situated within easy distances from one another, who would visit each post office on specified days of the week for transacting savings bank business only.

For the convenience of labourers, shopkeepers and others in city areas, who cannot leave their place of work during the ordinary working hours of the post office savings banks, a limited number of post offices in such areas should be kept open up to 8 o'clock in the evening for savings bank business only.

In order to make the Post Office Savings Bank more popular, we recommend that the number of withdrawals in a week should be increased to at least two instead of one allowed at present, and that interest should be allowed for at least half the month on deposits kept after the 4th of a month or on amounts withdrawn after the 25th of a month, if the amount deposited or withdrawn has remained with the post office for at least 20 days in the month. And we see no adequate reason why cheques should not be freely accepted for deposit in savings bank accounts, and why they should not be allowed to be issued on selected post office savings banks, subject to a limit on the value of the cheque and to restrictions as to the number of times per week they should be allowed to be issued, provided that in case of demand for cash payment a few days' notice is given.

We are further of opinion that the annual and maximum limits on deposits should be raised to at least double the present amount in all places where there is no branch

or agency of a joint stock bank or a licensed indigenous shroff. On the other hand we recommend that in places where there is such an agency or branch of a joint stock bank or a licensed indigenous shroff, the post office should not accept deposits exceeding Rs. 500 for terms shorter than a year. The primary object of post office savings banks is to stimulate the saving habit among small men; and where there are other agencies serving the same object, the post office should not compete with them for deposits except so far as it is necessary for this purpose. Our colleague Kanwar Motilal is opposed to the first suggestion regarding the raising of the annual and maximum deposits on the ground that it would involve interference with private enterprise.

238. For similar reasons we recommend that the benefits of the Post Office Insurance Fund, which is now open only to Government employees, should be extended to the general public up to a limit of Rs. 1,000 in each case. Our colleague Mr. Gray does not agree with this recommendation as in his opinion it involves unfair competition with private insurance companies. But the rest of us consider that, as insurance companies practically do not operate in rural areas, the extension of the benefits of the postal insurance system to these and to other classes who are not now enjoying any insurance facilities will be much appreciated on account of the confidence inspired by government institutions.

239. We stated in an earlier chapter that an unduly large proportion of savings are invested in jewellery. One of the main reasons for this uneconomic use of money is that the Hindu Law allows no property to women except moveable property or personal jewellery. In order to meet this difficulty, we have already suggested that *panchayats* of co-operative societies should induce borrowers to entrust to them some of their gold and silver ornaments for sale and to deposit the proceeds in the co-operative central bank in the name of a female member of the borrowers' family, the amounts so invested being treated in all legal proceedings as ornaments on the person of a woman. With the same object in view, we recommend that the post office should issue special cash certificates which can be held only

Special post office cash certificates for women.

by a woman, the interest on which should be payable every year through the nearest post office and the principal repayable after 10 years or on the death of her husband, whichever is earlier. These certificates should also be treated in all legal proceedings as ornaments on the person of a woman.

240. One of the main causes of the indebtedness of the agriculturists is the inability to visualise the future and provide against unforeseen risks to which the agricultural industry is exposed particularly in the areas which depend upon rainfall. It will be worth while for Government to devise a form of insurance which will appeal specially to the agriculturists, and we suggest that Government should consider at an early date the possibility of devising for landowners a scheme of insurance against poor crops, recovering the premium as a special addition to the land revenue in years when the crops are annas 8 in the rupee or above, the amounts of insurance money varying with the length of time for which the premium has been paid.

241. Statistics suggest that the public investments with Government increase substantially in a period of trade depression, and we consider it undesirable that the credit difficulties of local trade and industry should be aggravated by withdrawal from the local money-market of large sums of money through cash certificates, Government loans, Treasury Bills and postal savings banks. We recommend, therefore, that Government should slow down their borrowing programme in a period of depression and should earmark a certain minimum of funds raised by means of cash certificates and postal savings bank deposits, for local investment for short terms with banks, shroffs and industrial concerns. Similarly a specified portion of the amount in the Postal Insurance Fund and General Provident Fund may well be utilised for long period credit to local agriculture and industry through the Imperial Bank of India for the present, and through land mortgage and industrial banks when they are started.

242. It is essential for banking development that the cheque habit should spread and remittance facilities should

be extended to places where there is at present no banking institution except a post office. In our opinion, Government have in their post offices an excellent agency for helping in this direction. In many foreign countries they are utilised extensively for this purpose. In view of the vastness of the country and absence of any previous experience of this business, we do not wish to go as far as is the practice in continental countries in Europe, and recommend instead an experiment on a limited scale in the first instance. We suggest that city post offices and selected mofussil post offices should be allowed to open current accounts free of interest up to a prescribed limit for a limited class of clients, *e.g.*, licensed indigenous bankers, licensed village money-lenders, co-operative societies, who should have the privilege of remitting to notified places, free of charge, sums not exceeding the limit laid down by the postal authorities in consultation with the indigenous bankers' association or the licensing board for village money-lenders, against a current account maintained at the head post office in district towns, and never allowed to fall below a prescribed minimum monthly balance. The introduction of this system will no doubt throw additional work on the post office, but the extra cost will, it is expected, be counterbalanced by the free use of the money which the system will attract. It will also familiarise people with the use of cheques.

243. The statistics supplied to us by the postal department show that an appreciable number of post offices have normally surplus funds in certain months of the year. It will be of great advantage to the business community as well as to the post office itself if these surplus funds are utilised for facilitating remittance to these places. We, therefore, recommend that the head post offices in district towns should from time to time announce that they will be prepared to remit funds to places all over India in which post offices have usually surplus funds in certain months, at specially reduced rates, provided that at none of these places there is a branch of a joint stock bank or of the Imperial Bank of India, and provided also that the rates charged to banks and licensed indigenous shroffs shall be appreciably lower than the rates charged to the public.

244. We have been impressed in the course of our enquiry with the intimate relationship existing between credit facilities and the general economic position in the Areas with which we had to deal. We feel, therefore, the urgent necessity of setting up a body charged with the duty of creating and maintaining public interest in local economic problems, of taking the initiative in economic development, of co-ordinating the nation-building activities of the administration and of advising Government in regard to legislation affecting economic welfare. It is impossible, however, for such a body to function without local expert advice and guidance. The Centrally Administered Areas have at present to depend on the generosity of the neighbouring administrations for expert advice, a position that results in insufficient attention being paid to local economic problems. We, therefore, recommend that the Government of India should have for these Areas its own heads of departments in the sphere of economic activities. The responsibility of the administration in this sphere is particularly great in these Areas, because of the absence of responsible ministers who carry out the policy of a legislative council in other provinces. In particular we would suggest the advisability of—

Agencies for creating and maintaining interest in local economic problems and economic development.

- (1) appointing a Director of Agriculture and a Director of Industries for the Centrally Administered Areas, a separate Registrar (paid or Honorary) of Co-operative Societies in Delhi as well as in the North-West Frontier Province;
- (2) creating a Board of Economic Enquiry on the lines of the Punjab Board of Economic Enquiry; and
- (3) instituting a Board of Economic Development for these Areas. This should include among its members—
 - (a) the administrative heads of the Departments of Agriculture, Veterinary, Industries, and Co-operation;
 - (b) a representative of factory owners;
 - (c) a representative of *zamindars* nominated by the local Government;

- (d) a representative of the Board of Economic Enquiry, elected by the Board of Economic Enquiry;
- (e) a representative of labour nominated by the Local Government; and
- (f) a whole-time economist with an assistant trained in statistics (Secretary).

(Sd.) ABDUL HAMID,

Chairman.

„ MOHD. AKBAR HOTI.

„ H. L. CHABLANI.

„ BAL KISHEN.

„ MOTI LAL.

(Sd.) V. S. MARBALLI,

Secretary.

The 21st June 1930.

NOTE.—This Report has been signed by all members of the Committee, except Mr. V. F. Gray who had to leave for England on urgent business towards the end of April last, but he was present at the meetings of the Committee at which the recommendations were discussed and finally settled, and the Chairman has his authority for signifying his general agreement with the report subject to his dissent on some points which have been noted in the appropriate places.

(Sd.) ABDUL HAMID,

Chairman.

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Appendices.

APPENDIX I.

Summary of Recommendations.

The following are the main recommendations of the Committee:—

I.—RURAL CREDIT AND INVESTMENT HABIT.

(i) *Credit facilities and the Agricultural problem.*

(1) Intensive experiments should be made by the Agricultural Department on a commercial basis on an average consolidated holding of different types of land in different parts of these provinces with a view to guide the credit institutions in the matter of credit facilities for capital improvements on consolidated holdings and for starting subsidiary industries. (Para. 81.)

(2) The possibility of securing for the agriculturist in Delhi and Ajmer-Merwara economic holding, by migration to other provinces, should be fully explored by the Government of India, and in case this is found feasible, the necessary credit facilities for the purchase of land on newly opened canals in other provinces should be given partly by Government and partly by a land mortgage bank. (Para. 81.)

(3) In Ajmer-Merwara and Delhi the discretion vested in the executive authority under the Land Alienation Act or Regulations to give permission to agriculturists to sell their land should be more freely exercised, subject to the right of pre-emption in favour of members of agricultural tribes who cultivate the land themselves, provided the applicant can get a price which is not less than 20 times the annual net return from the land and provided that after discharging his debt he agrees to invest for at least ten years the proceeds in investments approved by the Collector. (Para. 81.)

(ii) *Village Money-lenders.*

1. Under the existing conditions, the agriculturist takes no advantage of the fact that he needs, for cultivation purposes, essentially short period loans at a time of the year when there is generally a slack season in trade and industry, when the big shroffs are anxious to find suitable investment for their funds even at 5 per cent. and when even the Imperial Bank can afford to lend freely at very cheap rates of interest. (Para. 88.)

The honest village money-lender who is one of the principal sources of supply of funds to the agricultural industry is suffering at present from insufficiency of capital and financial embarrassment due to difficulties of recovery. He has at present absolutely no point of contact with the joint stock banks of the country and is not looked upon as a very desirable client even by the indigeneous shroff owing to the risks involved in lending money to agriculturists. (Para. 88.)

The existing wide differences between stipulated rates of interest and actually realised rates of interest are fair neither to the honest borrower nor to the honest creditor inasmuch as the honest borrower is compelled to pay a much higher rate of interest than he should and the honest creditor finds himself cheated even of the capital invested by him. (Para. 88.)

There exists in some quarters suspicion against the system of account keeping of the whole class of village money-lenders on account of the questionable methods adopted by some of the unscrupulous men among this class. (Para. 88.)

In order to improve these conditions, it is suggested that a class of licensed village money-lenders should be created on some such conditions as the following:— (Para. 89.)

(1) Every licensed money-lender shall either keep accounts in the form prescribed by the licensing authority and have them audited at intervals of not more than 2 years by a qualified auditor or a person on the approved list, sanctioned by the licensing authority, and shall, on demand by the borrower, furnish him with a statement of accounts from the date of the last statement not oftener than once in six months

or

agree to make payments to all his debtors through the post office, or a joint stock bank, or a co-operative central bank or a licensed indigenous shroff notified by the licensing board, and receive all payments from his debtors through the same agency.

(2) All crop loans granted by a licensed money-lender to persons other than members of co-operative societies within the limit notified in each case by the Department of Agriculture from time to time, shall be recoverable as a charge upon the crop at the next harvest, or, in case of remission or suspension of land revenue by Government, at the harvest next after that, provided that he charges interest at a rate lower than the lending rate of the nearest co-operative society; and shall be subject to protection similar to that afforded in section 11 of the English Agriculturists' Credit Act 1928 to a charge in favour of an approved bank, so that if, with intent to defraud, any farmer who has taken a crop loan and fails to comply with the obligations imposed or removes or suffers to be removed from his holding the property subject to the charge he shall be liable to imprisonment for three months.

(3) In transactions, other than crop loans the licensed money-lender will be entitled to be awarded by law courts the stipulated rate of interest from the date of the transaction to the date of the actual realisation of his dues subject to the conditions:

(a) that the court shall declare the decree as satisfied in full when the licensed money-lender has actually realised his principal and interest at 12 per cent. per annum on mortgage debt and 18 per cent. per annum on unsecured debt from the date of the transaction,

- (b) that no evidence of payment by the judgment debtor after the decree shall be admissible in execution proceedings against the licensed money-lender except when payment is made through the court within the period of limitation, or through the post office on a special form for payment of decretal amount drawn up so as to show the minimum necessary particulars or by cheque on a registered bank, or through the *vakil* of the party to whom payment is made.
- (4) All debts of the licensed money-lender shall have priority in the matter of repayment to any subsequent loans from other creditors whether on mortgage security or otherwise.
- (5) The licensed money-lender shall have the right to object to the award by a Registrar of Co-operative Societies on the ground that he had given notice to the co-operative credit society of the amount owed by the borrower to him, and on such an allegation being proved, the court shall not give any priority in the matter of execution to the award of the Registrar over the previous debts of the licensed *mahajan*.
- (6) No co-operative society shall admit a debtor of a licensed *mahajan* to its membership, except on probation, and shall not advance him any sum of money as a loan except after arranging for the repayment of the licensed *mahajan's* dues in instalments within the period of probation, and shall expel him from the society in case he makes any default in payment of the instalments fixed.

Licensing Authority.

- (1) The licensing authority shall be constituted as follows:—
(Para. 90.)
- (i) A revenue officer not below the rank of a Tehsildar, nominated by the Local Government for each Tehsil—Chairman.
 - (ii) The Khan of the village in the North-West Frontier Province, or a *lambardar* of the village who is not indebted to the licensed *mahajan* nominated by the Local Government.
 - (iii) A *zamindar* who is not a member of the co-operative credit society—elected by the *zamindars* of the village from among persons who are not indebted to the licensed money-lender.
 - (iv) An elected representative of the licensed money-lenders of the province.
 - (v) An indigenous shroff elected by the Association of Indigenous Shroffs, if any, or in the absence of any such association, nominated by the Local Government.
- (2) The licensing authority shall grant a license to every money-lender who agrees to abide by these conditions and should have no discretion to refuse it.

(3) The licensing authority shall have no authority to cancel a license so long as the licensed money-lender complies with the conditions laid down in section (1).

(4) In the event of his violating any of these conditions, his license shall be cancelled after a warning in the first instance.

2. The Co-operative Department and the Board of Economic Enquiry which the Committee have recommended should take up further investigation of the system of *rahti* Loans at an early date. (Para. 92.)

3. The following restrictions should be imposed on every foreign money-lender. (Para. 92.)

He shall—

- (a) keep a certain amount fixed by the licensing authority, as a deposit in an approved institution; and
- (b) sign an agreement that he shall conduct his business in accordance with the rules laid down by the licensing authority and shall not charge directly or indirectly rates of interest higher than those sanctioned by the licensing authority in this behalf.
- (c) In case the licensing authority receives any report that the licensed foreign money-lender has been acting contrary to the regulations laid down in this behalf, or recovering his money in a high-handed fashion, it should have all the powers of a law court to investigate the charges and punish the licensee up to 3 months' imprisonment in the first instance and six months in the next.

(iii) *Co-operative Movement in the Rural Areas.*

(1) It is necessary to increase the strength of the co-operative staff to attend to the vital need of inculcating the principles of co-operation among the members of societies, and while the formation of new societies in the rural areas of Ajmer-Merwara and Delhi should not altogether cease, the efforts of all workers in the co-operative movement, officials as well as non-officials, should, for some years to come be particularly directed to the rectification and consolidation of the existing co-operative credit societies and the improvement in the economic position of the individual members.

This does not apply to the North-West Frontier Province where the movement in the rural areas is yet in its infancy and needs expansion; but it is suggested that co-operative workers in that province should, while spreading the co-operative movement, pay due regard to the lessons to be drawn from the experience of Delhi and Ajmer-Merwara. (Para. 119.)

(2) With the improvement in the quality of both members and societies, the surplus funds in the central bank will tend to disappear; but should this for any reason be delayed, the central co-operative banks should not accept more deposits than they can

profitably employ in the movement within their respective provinces, or divert funds to other provinces or to investment in Government securities beyond what is necessary for fluid resources, as there is ample scope for employing urban savings in the financing of urban trade and industry or in increasing credit facilities for the poorer sections of the urban communities in the cities of Delhi and Ajmer-Merwara. (Para. 119.)

(3) To stimulate greater interest and greater sense of responsibility in societies affiliated to central banks, the Committee consider it advisable to disqualify from voting at general meetings the representatives of societies which are in default of the instalments due to the central bank, and in order to strengthen the non-official trained element on the management, the Committee further recommend that central banks should be allowed to co-opt whenever they consider it necessary at least two non-official members to the board of management who have special knowledge of co-operation or banking, such co-opted members having no right to vote.

(Para. 120.)

NOTE.—Lala Bal Kishen objects to the admission of any outsider to the Board of Management.

(4) The Committee endorse the recommendation of the Madras and the Central Provinces Committees on co-operation that a clear distinction should be made between crop loans repayable in whole out of the following harvest unless crops fail and long term loans repayable in instalments over a period of years out of the annual savings of the borrowers, and suggest that with a view to enforce the recognition of this distinction separate application forms, and separate promissory notes should be insisted upon both in the primary societies and central banks, and the central banks be required to keep separate ledgers and make separate entries for each in their balance sheets. (Para. 121.)

(5) The Committee recommend further that loans which are overdue as compared with the promises made in the pronotes or in the applications for loans by the primary societies or statements made in the resolutions passed by primary societies at the time of making an application for loans should be transferred to a separate ledger, and that the affiliated societies should be required to submit to their central bank reports on these overdues two months before each harvest. (Para. 121.)

(6) The Committee consider it only proper that the resolution of each affiliated society, stating that the loan for which it has submitted an application to the central bank would be paid back within a specified number of years should always be communicated to the central bank so as to enable it to make an estimate, which may be subsequently revised at each harvest, of the amount of outstanding loans repayable to it in each year. (Para. 121.)

(7) In order to stimulate efforts to improve the quality of societies particularly in the matter of recoveries and overdues it is worth while for the central banks to discriminate in favour of societies of better quality in the matter of interest charges. This is already

done to some extent in Ajmer-Merwara and Delhi and the Committee recommend that the system should be extended further.

(Para. 121.)

(8) It is essential for the success of the Co-operative Credit movement that care should be taken by the Primary society to make intensive enquiries into the whole economic position of the applicants for admission and exclude persons who cannot repay their debts out of the proceeds of their crops in the case of short term loans, and out of their savings in the case of long term loans, or who cannot be made solvent by lowering the rate of interest or decreasing their unnecessary expenditure or by improving their character by mutual control.

(Para. 122.)

(9) Since the deposits both in the primary societies and their financing institutions are generally for short periods of time, it is desirable to restrict the scope of the ordinary credit societies mainly to short term credit which may include crop loans as well as loans given for not more than 2 or 3 years in special cases.

(Para. 123.)

(10) In case the Committee's recommendation regarding co-operative land mortgage banks is accepted, the Committee recommend that agricultural co-operative credit societies should not admit to membership any one whose previous debts and encumbrances will require more than 6 years to be discharged, unless he enrols himself as a member of a land mortgage bank.

(Para. 123.)

(11) In the present stage of the co-operative movement, it is desirable that an appreciable number of members should be free from previous debts and encumbrances and that the co-operative credit societies should limit their credit facilities mainly to requirements for crop purposes or for tiding over occasional periods of scarcity or famine. Till the land mortgage banks are started, a limited number of persons encumbered with previous debts may, however, be admitted as members of co-operative societies on probation for three years subject to the following conditions:

(Para. 124.)

- (a) that the probationer member shall not borrow from any outside agency or create any encumbrances upon his property without the previous consent of the society;
- (b) that he shall repay towards his previous debt and interest charges, a sum which the society considers reasonable at each harvest; and
- (c) that in case he brings necessary sureties or gives adequate security by way of mortgage of his property in favour of the society, the society shall assist him in reducing his previous debt to outside creditors by advancing him twice the amount he himself contributes at each harvest, provided that he makes no default either in payment of interest due to the society or in repaying any crop loans advanced by the society.

(12) It is essential, for the success of any scheme of debt redemption by co-operative credit societies or land mortgage banks, especially in view of the unfortunate experience of the results of debt redemption by co-operative credit societies in Ajmer-Merwara, that (Para. 124.)

- (a) legal power should be given to them to apply to the Collector for the issue of a proclamation calling upon all creditors of their clients to disclose their loans within a reasonable time limit, failing which no court of law should give priority to undisclosed debts in any proceeding relating to the execution of a decree, and in case a debtor member challenges the correctness of the claims put in to call upon the creditor through the Collector to prove his claims in a court of law within a time-limit fixed by the Collector;
- (b) the law should be amended so as to give the co-operative credit societies and land mortgage banks the benefit of provisions similar to those embodied in the Encumbered Estates Acts, under which any future loans taken by their clients from outside creditors should not be admissible in law courts so long as any amount advanced by them remains unpaid;
- (c) subsequent loans made by Government under the provisions of the Land Improvement Loans Act and the Agriculturists Loans Act should not take priority over earlier long period loans given by a co-operative credit society or a land mortgage bank and that such amendments of law as are necessary for securing this object should be made at an early date;
- (d) in all cases of default in the payment of instalments on account of a mortgage loan, land mortgage banks and co-operative credit societies should have the power of selling without resort to a court, through an executive officer authorised in this behalf by the Local Government, after giving the defaulter 3 months' notice to pay the instalment;
- (e) the Land Alienation Act and all rules and regulations under it should be modified so as to include co-operative credit societies and recognised land mortgage banks in the definition of 'agriculturist' so far as the sale and transfer of land are concerned, and place them under the same restriction in respect of their power to sell land as are imposed on the agriculturists by the Land Alienation Act, provided that the co-operative credit societies or the land mortgage banks shall not be at liberty to hold possession of the land for more than 3 years without selling it. Mr. Chablani dissents from this proviso on the ground that it will prevent experiments in co-operative farming, which, in his opinion should be encouraged by all possible means in view of the very

small and scattered holdings in a large part of the centrally administered areas.

(13) A determined effort ought to be made to draw into the co-operative movement the savings and capital of the *mahajan* and agriculturist money-lender at rates of interest not exceeding those at which primary co-operative societies borrow from the central bank at present, and to include in the agricultural co-operative credit societies some members with settled habits of thrift and business-like instincts. The bye-laws of the societies should, therefore, be amended so as to permit admission of a special class of members who

- (a) will assume a liability limited to their share capital;
- (b) will borrow less from the society than their deposits therein and buy a prescribed minimum number of shares on which no dividend shall be paid;
- (c) whose deposits shall have the same claims on the assets of the societies as a deposit by a non-member and be considered in every respect as a debt owed by the society;

(NOTE.—Mr. Bal Kishen suggests that the liability of such members should be the same as that of other members of the society.)

- (d) should agree not to lend money directly to any fellow member of their co-operative credit society. (Para. 125.)

(13-A) In years when the village crops are above 8 annas in the rupee, village co-operative societies should be persuaded to make a special effort under proper safeguards imposed by the Co-operative Department to attract deposits from members preferably for periods longer than 1 year, by offering rates even up to their borrowing rate from the central bank.

(13-B) Borrowers from the co-operative societies should be induced by their *panchayets* to entrust to them their gold and silver ornaments (except a gradually decreasing minimum amount fixed by the *panchayet* from time to time) for sale and deposit in the central co-operative bank in the name of a woman of the family, on which the central bank should give compound interest at half per cent. less than the rate charged to the society by the central bank, the whole principal and interest being returnable in cash or gold at the option of the depositor when the borrower has discharged his debt to the co-operative societies. The existing law should be amended so as to make it clear that the amounts so invested shall be treated in all legal proceedings as ornaments on the person of a woman. (Para. 126.)

(NOTE.—Mr. Bal Kishen dissents from this as he considers it neither practicable nor likely to be popular.)

(iv) *Rural Industries.*

(1) The possibilities of developing rural industries should be explored by the Board of Economic Development proposed by the

Committee. Government should grant free of charge, on favourable terms, the services of government officials or experts for starting or advising such industries as is done under the Central Provinces Industries Act; and the necessary credit facilities should be provided by the Co-operative Department, supplemented by financial aid from Government on terms similar to those adopted under the Madras State Aid to Industries Act. (Para. 128.)

(2) In view of the facilities already available for getting advances against stored produce, the majority of the Committee do not think it necessary to start co-operative loans and sale societies and unanimously reject the Egyptian system of loans to small producers on the security of produce. (Para. 138.)

(v) *Long period credit in rural and urban areas.*

The majority recommend the creation of a joint stock land mortgage bank on the lines suggested in Chapter XX for the provision of long period credit in rural and urban areas.

(vi) *Financing of internal trade and remittance facilities.*

(1) The United States Warehouse system is well worth a trial and the volume of business in Delhi and Peshawar justifies an experiment being made in selected places, e.g., Delhi city, Hapur or Ghaziabad and Peshawar and Mardan. (Para. 153.)

(2) A nation-wide mobility of funds is, in our opinion, most vital in this country in view of the fact that its chief industries are associated with the exploitation of natural resources, its financing season in one industry is often the repaying season in some other, and the seasonal demand for financing in various provinces does not exactly coincide. Owing to marked differences in the banking development between the developed and undeveloped provinces as also between the rural and urban areas in each province, the necessary economy in moving funds cannot, however, be secured unless (a) there is a rapid development of the branch system or of the agency system under control of a head office of a parent or affiliating joint stock bank, (b) the indigenous bankers are intimately linked with the Imperial Bank with its wide-spread branches and facilities for remittance through currency chests, (c) the post office banks are utilised to the utmost extent for remittance work and linked with the system of indigenous banking and financing in the mofussil, and (d) the institutions for financing agriculture are more closely connected with the Imperial Bank and joint stock banks in the matter of short term loans to agricultural industry. (Para. 154.)

(vii) *Industrial and miscellaneous credit, and investment habit in urban areas.*

(1) The Local Governments should extend to these areas the benefits of the Madras State Aid to Industries Act with the addition of the provision in the Central Provinces Act for grant, free

of charge, or on favourable terms, of the services of Government officials and experts for starting or offering advice in connection with these industries. (Para. 160.)

(2) So far as the seasonal requirements of the cotton mill industry in Delhi are concerned, the only remedy seems to be to induce the Imperial Bank to make its terms for seasonal advances more reasonable. (Para. 160.)

(3) There is an urgent need for intensive propaganda in favour of the co-operative credit movement among the urban community in Delhi particularly the following classes:—

- (a) Clerks in the Government of India Secretariat getting salaries below Rs. 200; (b) Grass-cutters; (c) Masons; (d) *Thelawallas*; (e) Shoe-makers; (f) *Khatiks*; (g) Small traders.

The Committee therefore recommend that the co-operative staff in the urban areas of Delhi should be increased and an experienced officer of standing should be deputed to do propaganda and organising work in the city of Delhi. (Para. 163.)

(4) The Committee strongly favour the creation of a class of licensed money-lenders for urban areas in addition to licensed shroffs, similar to licensed village money-lenders on some such conditions as the following: (Para. 164.)

(i) A licensed money-lender shall be a member of an association of licensed money-lenders and shall conduct his business in accordance with the rules drawn up by this association from time to time and approved by the licensing board for shroffs.

(ii) Every licensed money-lender shall keep accounts in the form prescribed by the licensing authority and have them audited at intervals of not more than 2 years by a qualified auditor or a person on the approved list sanctioned by the licensing authority, and shall, on demand by the borrower, furnish him with a statement of accounts from the date of the last statement not oftener than once in six months;

or

agree to make payments to all his debtors through the post office or a joint stock bank, or a co-operative central bank or a licensed indigenous shroff notified by the licensing board from time to time and receive all payments from his debtors through the same agency.

(iii) He shall be entitled to a special summary procedure for deciding suits in which he is a plaintiff so long as he is a member of the Association of licensed money-lenders.

(iv) He shall be entitled to be awarded by Law Courts the stipulated rate of interest from the date of the transaction to the date of the actual realisation of his dues, subject to the conditions—

- (a) that the court shall declare the decree as satisfied in full when the licensed money-lender has actually realised his principal and interest at 12 per cent. per annum on a

mortgage debt and 18 per cent. per annum on unsecured debt from the date of the transaction, provided the stipulated rate of interest exceeds the foregoing rates:

- (b) that no evidence of payment by the judgment debtor after the decree shall be admissible in execution proceedings against the licensed money-lender except when payment is made through the court or on a receipt signed by the creditor and filed in court within the period of limitation, or through the post office on a special form for payment of decretal amount drawn up so as to show the minimum necessary particulars, or by cheque on a registered bank, or through the *vakil* of the party to whom payment is made.

(iv). All debts of the licensed money-lender shall have priority in the matter of payment to any subsequent loans from other creditors whether on mortgage security, or otherwise.

(5) Special credit facilities seem to be required also for the solution of some of the most urgent problems in the city of Delhi, viz., the problem of congestion and that of its milk supply. There appears to be considerable scope for co-operative housing societies in Delhi, and the Committee commend to the notice of the Local Governments and the Government of India the view taken by the Madras Government that financial help from Government to housing societies in the shape of loans is not only essential but also proper as representing a legitimate contribution by Government towards the solution of the housing problem and the relief of congestion in towns. The Committee is also of opinion that Co-operative Milk Purchasing Societies in the city linked to Co-operative Department will lead to the solution of the milk problem in the city of Delhi, and that a small initial capital required for co-operative sales societies should be provided by loans from the Local Government on the same terms as *takavi* loans. (Para. 165.)

(6) There is no investment trust in these areas and there does not appear to us to be sufficient scope for one, except probably in Ajmer where the Co-operative Central Bank gets a substantial margin of profit by attracting urban deposits at a low rate and investing a large percentage of them in Government securities. But an investment trust established in big cities like Bombay and Calcutta, under adequate safeguards against fraud, is likely to stimulate investment by those who are at present investing their savings in either land or Government securities for no other reason except their inability to judge the value of the different forms of investment; and by Mohammdans who have objections to accumulation of interest but no objection against receiving profits. In the absence of a big Investment Trust operating over a wide area, the Co-operative Department will be well advised to institute a Co-operative Investment Trust in Ajmer for the benefit of this class of investors rather than allow the Central Bank in Ajmer to profiteer at their expense. (Para. 166.)

(7) As there is a promising field for a National Savings Movement, especially in urban areas, the Co-operative Department and the Board of Economic Development suggested elsewhere should attempt to initiate schemes Nos. 2, 5, 6, 7, 9, and 10 described in para. (Para. 167.)

(viii) *Existing Legislation and Legal Procedure in their bearing on credit and credit facilities.*

(1) With a view to protect small agriculturists or peasant proprietors and in order that the Land Alienation Act or Regulation should operate to their full advantage, and at the same time divert the savings of the bigger land owners into more profitable channels of investments, the Committee recommend that the agriculturists whose holdings fall short of the standard of an economic holding, to be determined with due regard to local conditions, should have power to alienate their holdings only in favour of those agriculturists who own 50 acres of land or less, and that alienations by such persons in favour of those agriculturists who own more than 50 acres of land should require the permission of the Collector, which should, however, be freely given, in case it is found necessary for the owner of the uneconomic holding to sell his land and either the price offered by those owing less than 50 acres is not adequate or no purchaser from this class is forthcoming. (Para. 176.)

(Note.—While the members of the Committee are unanimous as to the object in view, they are divided in opinion as to the details of this recommendation.)

(2) In Ajmer-Merwara and Delhi, the discretion vested in the executive authority under the Land Alienation Act or Regulations to give permission to agriculturists to sell their land should be more freely exercised, subject to the right of pre-emption in favour of members of agricultural tribes who cultivate the land themselves, provided the applicant can get a price which is not less than 20 times the annual net return from the land and provided that after discharging his debt he agrees to invest for at least ten years the proceeds of the sale in securities approved by the Collector.

(Para. 176.)

(Note.—The Committee is not in favour of extending the operation of this suggestion to the North-West Frontier Province as it would not suit the peculiar conditions prevailing in the rural areas of that Province.)

(3) Subject to certain safeguards, co-operative societies and land mortgage banks should be classed as agriculturists for the purposes of the Land Alienation Act and the same restrictions as are imposed upon the agriculturists in respect of the parties to whom they can sell their land, should be imposed also on these co-operative credit societies and land mortgage banks. (Para. 176.)

(Note.—Kanwar Motilal wishes to extend this privilege to licensed money-lenders and licensed indigenous bankers.)

(4) It is also desirable to relax section 29 of the Land and Revenue Regulations, No. 2 of 1877, in force in Ajmer-Merwara

when the Istimrardar's creditor is a co-operative credit society or a land mortgage bank, a licensed indigenous banker, or an Indian joint stock bank. (Para. 176.)

(5) Land belonging to insolvent agriculturists should be declared to vest in the official receiver who may dispose of them to other agriculturists to whom the insolvent himself could have sold the land under the Land Alienation Act or Regulations. (Para. 177.)

(6) None should be adjudicated as an insolvent if he has been guilty of an act of bad faith in regard to monetary transactions, and the insolvency law should be amended accordingly. In all cases of applications for declaration of insolvency by indigenous bankers, the courts of law should be bound to ask the local Shroff's Association to allow a committee of four or five persons to examine and audit the account books of the licensed indigenous banker and investigate the applicant's fitness to be declared an insolvent before adjudicating him an insolvent. As these recommendations are not adequate for the protection of the general lending public, the Committee suggest the desirability of eliciting further the considered opinions of Bar Associations and the Judiciary on further amendments to Insolvency Law. (Para 178.)

(7) The real defects in the Usurious Loans Act are incurable unless a body of licensed money-lenders and an Association of indigenous shroffs, who shall get their accounts audited and who should be free from interference by the law courts in the matter of rate of interest, except at the time when repayments are actually made, are set up on the lines suggested. (Para. 179.)

(8) Section 34 of the Civil Procedure Code should be amended so as to provide that the rate of interest ordered in the decree should be the contract rate (if it is not inequitable) on the principal sum from the date of the suit till the date of the decree and again from the date of the decree till realisation, and if the contract rate is inequitable, then at such rate as the court considers to be equitable. (Para. 180.)

(9) In view of the post-war monetary conditions, section 35 of the Civil Procedure Code should be amended so as to empower the courts to allow interest on costs at a rate higher than 6 per cent. if they consider it reasonable to do so.

(10) The rate of interest under section 80 of the Negotiable Instruments Act might be raised from 6 to 9 per cent. per annum. (Para. 180.)

(11) A land register for house property should be maintained both in the urban and rural areas in connection with the proposal to establish land mortgage banks and any one should by application be able to have his name entered in a special column in the record of rights or land register by way of caution to prospective mortgagees and purchasers, no one except a minor being allowed in the absence of such entry to set up any title to landed property recorded in the name of another. (Para. 181.)

(12) The law should be suitably altered so as to provide that in all mortgage transactions with Hindus, governed by Mitakshara Law, an enquiry made by an officer of a joint stock bank or of a land mortgage bank or by an executive officer authorised in this behalf by the Local Government should be incorporated in the bond and be considered as *prima facie* evidence that reasonable enquiries were made by the creditor regarding the necessity for the loan, thereby shifting the onus from the plaintiff to the defendant. (Para. 182.)

(13) The value of each property should be separately noted in the bond and the lien split up and mentioned separately so that a debtor could satisfy the debt and redeem his property piecemeal. (Para. 183.)

(14) Suitable remedies should be devised for quicker recovery of dues from debtors, as until this is done, no great development in banking can be achieved. (Para. 184.)

(ix) *Indigenous bankers and hundis.*

(1) A class of licensed bankers should be instituted and all indigenous bankers paying income-tax should be accorded certain privileges in return for certain obligations imposed upon them. Under the terms of their license they should be compelled, (1) to get their accounts audited by a qualified auditor who should draw up an annual balance sheet in a prescribed form disclosing among other things the names of the partners and places of their business; (2) to become members of the Shroffs' Association in the nearest town and agree to conduct their business in accordance with the rules drawn up by this association; (3) to agree not to charge beyond the scheduled maximum rates of interest for different kinds of business, fixed from time to time by the licensing authority on the recommendations of the association; and (4) to agree, in case they accept deposits from the public to keep a cash reserve on a scale laid down by the Imperial Bank or the Reserve Bank on the recommendations of the Shroffs' Association against the deposits received from the general public excluding the deposits of members of their firms, and to hold it either in Government securities or in securities approved by the Imperial or Reserve Bank, or in balances kept with the Imperial or the Reserve Bank. (Para. 217.)

In return for these obligations they should have in the first place ample facilities for recovery. In all cases in which they are parties to a suit it should be open to them to claim a special summary procedure for determination of their suits as also a special summary procedure for the execution of decrees, and a special legal enactment or directions of the High Court should lay down that no court of law shall be at liberty to vary the rates of interest stipulated in transactions to which these licensed bankers are parties so long as these rates are within the prescribed schedule or to refuse to award interest at the same rates after the date of the decree till full recovery is made.

Secondly, they should have a definite assurance that the Imperial Bank of India shall not be asked by Government to open a branch at a place where a licensed indigenous shroff is carrying on his business except after giving an opportunity to the Licensing Board to consider the objections of the indigenous shroff within a certain time-limit and submitting its own recommendations to Government.

Thirdly, a licensed banker should be entitled to (a) remit free of charge through the post office, sums not exceeding a limit laid down by the post office in consultation with the indigenous bankers' association or the licensing board, to notified places against a current account maintained with the head post office in a district town and never allowed to fall below a certain minimum monthly balance; (b) to remit funds through the Imperial Bank or the Reserve Bank at the same rates as are charged to all joint stock banks subject to the proviso that this will not preclude the granting of a differential rebate to any joint stock bank or banker whose total remittance in a year exceeds a specified amount; (c) to a substantial rebate of duty on *mudati hundis* varying with the amount of *mudati hundis* used by each individual shroff in a year, provided this is found administratively feasible; (d) to have his *hundis* rediscounted by the Imperial or Reserve Bank on the same terms as joint stock banks within the maximum limits depending on his credit position in the market fixed by Imperial or Reserve Bank in each case on the recommendation of the association of licensed indigenous bankers, provided that this will not in any way fetter the discretion of the discounting authority to refuse or limit the advance to any particular individual; (e) to repawn ornaments with the Imperial Bank or the Reserve Bank at a rate that will leave him a fair margin on advances against gold and silver ornaments under conditions prescribed by the Imperial Bank or the Reserve Bank from time to time.

Fourthly, in cases of application for declaration of insolvency by a licensed indigenous banker, it should be obligatory on the court to ask the local Shroffs' Association to elect a committee of four or five persons to examine and audit the account books of the licensed indigenous banker and investigate the applicant's fitness to be declared an insolvent before adjudicating him an insolvent.

(Para. 217.)

(2) Attempts should be made to link some of the indigenous shroffs more closely to the Imperial Bank and a suggestion is made that in place where there is neither a branch of a joint stock bank nor that of the Imperial Bank at present, the Imperial Bank may, on the initiative of the Licensing Board, appoint from among the licensed shroffs of the province an agent on a salary or on commission basis on the following conditions: (Para. 217.)

- (i) The agent shall guarantee a fixed minimum amount of business.
- (ii) The agent shall give a limited guarantee against losses arising out of the agent's mismanagement.

- (iii) The agent shall bind himself not to do any business with the bank's money or keep his own goods in the godown of the bank.
- (iv) The agent shall bind himself not to engage in speculation or combine trading with banking proper.
- (v) The agent shall remit without undue delay to the nearest treasury all deposits received on behalf of the Imperial Bank except a certain minimum balance agreed upon in the beginning of each year.
- (vi) Subject to limits fixed in each case by the Imperial Bank, the agent may be authorised to open and receive current accounts on its behalf, withdrawable by cheques as a matter of right only on its nearest branch, but as a matter of practice, if timely notice be given, also on the agent to a limited extent notified from time to time. He may also be given a limited authority to advance loans against ornaments or against produce kept in the bank's godown on a short notice to the Provincial Head Office of the Imperial Bank and under conditions prescribed by the Imperial Bank from time to time.
- (vii) The Imperial Bank shall on the recommendation of the Licensing Board impose such restrictions on the agent as regards rates of interest as will prevent unfair competition with independent shroffs and branches of banks.

(3) The composition of the Licensing Board recommended should be as follows:— (Para. 217.)

- (a) three representatives of the local Shroffs Association;
- (b) one representative of the Imperial Bank of India;
- (c) one representative of the Indian joint stock banks;
- (d) one representative of Trade and Commerce nominated by the local Government on the recommendation of the local chambers of commerce, if any; and
- (e) an economist or a public man interested in banking nominated by the local Government.

(4) It would be worth while to throw special inducements to some shroffs to restrict their business to the functions of discounting and accepting houses, and to agree not to engage in any trade except purchase and sale of gold and silver, or strictly commission or agency business on behalf of other traders, and not to draw *mudati hundis* themselves but only discount or endorse *hundis* drawn by others. The Committee recommend that the Imperial Bank or the Reserve Bank should in its rediscounting policy give a preferential treatment to those shroffs who agree to accept these limitations on their business, in the matter of limits up to which bills discounted by them will be rediscounted, and the Government should give a larger rebate on the duty paid on the *mudati hundis* by such shroffs. (Para. 218.)

(5) It is desirable to encourage the use of a standard form of *hundi* printed in English as well as in the language commonly employed at present in each province by selling it a little cheaper than the ordinary stamped *hundi* paper. (Para. 219.)

(6) The duty on usance bills should be reduced by half and if the system of rebate is administratively feasible, a rebate on the reduced duty be granted to all shroffs who use in a year *hundis* exceeding the value of Rs. 10,000 in the aggregate, on a progressive scale, the rate of rebate increasing with the total amount of *mudati hundi* used. (Para. 219.)

(7) In view of the fact that bills of exchange payable more than one year after date or sight were at no time common in these Areas and the bazaar does not look with favour on any *hundi* of a longer duration than one year, the Committee recommend that the bills of exchange payable at more than one year after date, may be excluded from the benefit of the suggested reduction of duty. (Para. 219.)

(x) *Joint Stock Banking.*

(1) The use of cheque forms printed in English with translation in the principle language of the mercantile community in the province should be freely encouraged and signatures in vernacular should be freely accepted in the case of cheques collected through a bank or a licensed shroff. (Para. 227.)

(2) Subject to a limit on the value of the cheque and to restrictions as to the number of times per week cheques can be issued, cheques should be allowed to be issued against savings bank accounts in selected post offices and branches of the Imperial Bank, provided that in case of demand for cash payment a few days' intimation is given to the bank concerned. (Para. 227.)

(3) The Post Office should accept freely cheques for deposit in the savings bank account. (Paras. 227 and 242.)

(4) Payment by cheques drawn on any local branch of a registered bank or on a licensed shroff or a co-operative central bank should be freely allowed by all tax-collecting Departments of Government and local bodies in payment of their dues, and cheques should be more freely accepted than at present by courts of law. The Committee are further of the opinion that it will be a distinct facility to businessmen if the Railways accept from approved customers payments by cheques on banks and bankers. (Para. 227.)

(5) The Committee are divided in opinion as to whether the Negotiable Instruments Act of 1881 should be amended so that no endorsement on a cheque payable to bearer should operate to restrict its negotiability. The majority consisting of the Chairman, Messrs. Gray and Chablani and Nawab Major Mohammad Akbar Khan are in favour of such an amendment, as they think that the law at present imposes a very considerable amount of extra work and responsibility on banks who have at present to examine endorsements on all bearer cheques without any appreciable advantage to

their constituents or to the public. Kanwar Moti Lal and Lala Bal Kishen are opposed to it on the ground that it deprives the public of a legitimate protection. (Para. 228.)

(6) *Hundis* should be excluded from the scope of this amendment in view of the common usage to give on the *hundi* instructions regarding the method of payment. (Para. 228.)

(7) The existing law under which any holder of a cheque or a bill of exchange can alter at any stage the character thereof from bearer to order by running his pen through the word bearer is useful and should not be interfered with. (Para. 228.)

(8) The protection afforded by the crossing of cheques should be extended to *hundis* also. (Para. 228.)

(9) The position will continue to be unsatisfactory for Indian banks and bankers until either a non-competing reserve bank is established or restrictions are imposed on the amounts advanced by the Imperial Bank directly to the public against ornaments, grain, cotton or merchandise on rates which are substantially lower than those which the Indian banks and bankers can afford. (Para. 229.)

(10) The Committee feel that a proper rediscount bill market will be very difficult to develop in India without establishing a Reserve Bank which does not deal directly with the public except on occasions when its open market operations are necessary to establish its control over the money market; but till this proposal materialises, the Committee recommend that the Imperial Bank should be induced to charge an appreciably lower discounting rate to the licensed indigenous bankers and Indian joint stock banks than its discounting rate for the public. (Para. 229.)

(11) The Imperial Bank should, in fixing its rates of interest, show due regard to the prevailing rates of interest paid on deposits by the Indian joint stock banks and licensed shroffs, and on a requisition by the local agents of any two of the Indian joint stock banks or licensed shroffs, the local Licensing Board should have the power to investigate allegations against the Imperial Bank in this behalf and report the result to the Managing Governors of the Imperial Bank. (Para. 229.)

(12) The Imperial Bank should encourage licensed money-lenders, licensed shroffs and joint stock banks to advance loans against gold and silver ornaments by charging them a lower rate of interest on advances against such ornaments repawned to it. The rate of interest on such advances should not be a fixed rate as at present but should vary with the season coming down particularly during the months in which the agriculturists need money for sowing operations, but the rate once fixed should not be changed during the currency of the loans. (Para. 230.)

(13) Every branch of a bank including those of exchange banks should be compelled by law to invest a certain minimum percentage of its deposits and bill collections within a specified banking circle in which the branch is situated, the percentage in each case

being fixed by the licensing board after hearing objections by the party concerned, provided that the amount invested in Government of India securities shall count towards this fixed minimum. (Para. 234.)

(14) Every insurance company operating in India should be compelled by law to invest at least half its net realisations from premia in India, of which 50 per cent. must be invested in a specified local area from which premia are collected, the amount invested in Indian Government securities counting towards the minimum in either case. (Para. 234.)

(15) A specified portion of the amount in the hands of Government on account of post office insurance and contributions to the Provident Fund should be earmarked for long period credit to local agriculture and industry through the Imperial Bank for the present and through land mortgage banks and industrial banks when they are established. (Para. 234.)

(xi) *Government.*

(1) The existing practice regarding grant of *takavi* under the Agriculturists Loans Act in times of scarcity should be continued; and co-operative societies and licensed *mahajans* should be helped to repay crop loans to the Imperial Bank of India in certain circumstances. (Para. 236.)

(2) For the better administration of the Land Improvement Loans Act, periodical examination of each village should be made by an agricultural expert, and a ten years' programme of improvements that are economically justified should be drawn up, which should be carried out by the Agricultural Department or the owner of the land from funds obtained either from Government or a land mortgage bank. (Para. 236.)

(3) The existing system of the post offices savings banks account should be modified as follows:— (Para. 237.)

- (a) The number of withdrawals allowed within a week should be increased to at least two.
- (b) The annual and maximum limit on deposits should be raised to at least double the present limit in all places where there is no branch or agency of an Indian joint stock bank or of a licensed indigenous shroff.
- (c) Interest for at least half the month should be allowed on deposits kept after the 4th of a month or withdrawn after the 25th of month, if the amount deposited or withdrawn has remained with the post office for at least 20 days in the month.

(4) In order to restrict competition with commercial banks, city post offices should not accept any deposit exceeding Rs. 500 for less than a year. (Para. 237.)

(5) At post offices which have at present no savings bank accounts, savings banks may be opened for business only once a week in as many post offices as possible, for only 3 to 4 hours during the day. (Para. 237.)

(6) A limited number of post offices in city areas should be kept open for savings bank business up to 8 o'clock in the evening in order to afford adequate facilities to labourers and shop-keepers engaged in retail trade. (Para. 237.)

✓ (7) The Post Office Insurance Fund, which is now open to Government employees, should be extended to the general public up to a limit of Rs. 1,000 in each cash. (Para. 238.)

(8) For the special protection of women, special certificates which could only be held by a woman should be issued, the interest on which should be payable every year through the nearest post office and the principal repayable only after 10 years, or on the death of her husband if it occurs earlier than 10 years. (Para. 239.)

(9) The credit difficulties of local trade should not be aggravated by withdrawal from the local money-market of large sums of money through cash certificates, Government loans, treasury bills and Postal Savings Banks. The Committee recommend that Government should slow down their borrowing programme in a period of depression and should earmark a certain minimum of the funds raised by means of Cash Certificates and Postal Savings Bank deposits, for local investment for short-terms with banks, shroffs and industrial concerns. Similarly a specified portion of the amount in the Postal Insurance Fund and General Provident Fund may well be utilised for long period credit to local agriculture and industry through the Imperial Bank of India for the present, and through land mortgage and industrial banks when they are started. (Para. 241.)

(10) It is essential for banking development that the cheque habit should spread and remittance facilities extended to places where there is at present no banking institution except a post office. The Committee consider that the Government have in their post offices an excellent agency for helping in this direction, as in many foreign countries where they are utilised extensively for this purpose. In view, however, of the vastness of the country and absence of any previous experience of this business the Committee do not wish to go as far as is the practice in continental countries in Europe, and recommend instead an experiment on a limited scale in the first instance. They suggest that city post offices and selected mofussil post offices should be allowed to open current accounts free of interest up to a prescribed limit for a limited class of clients, *e.g.*, licensed indigenous bankers, licensed village money-lender co-operative societies, who should have the privilege of remitting to notified places, free of charge, sums not exceeding the limit laid down by the postal authorities in consultation with the indigenous bankers' association or the Licensing Board for

village money-lenders against a current account maintained at the head post office in the district towns, and never allowed to fall below a prescribed minimum (monthly) balance. (Para. 242.)

(11) The Committee recommend that the head post office in the district towns should from time to time announce that it will be prepared to remit funds to places all over India in which post offices have usually surplus funds in certain months, at specially reduced rates, provided that at none of these places there is a branch of a joint stock bank or of the Imperial Bank of India, and provided also that the rates charged to banks and licensed indigenous shroffs shall be appreciably lower than the rates charged to the public.

(Para. 243.)

(12) The Committee recommend that the Government of India should have for these Areas its own heads of Departments in the sphere of economic activities, *e.g.*, a Director of Agriculture and a Director of Industries for the Centrally Administered Areas, a separate Registrar (paid or Honorary) of Co-operative Societies in Delhi as well as in the North-West Frontier Province.

(Para. 244 (1).)

(13) A board of economic enquiry should be constituted on the lines of the Punjab Board of Economic Enquiry. (Para. 244 (2).)

(13) A Board for Economic Development should be set up for these Areas which should include among its members—

(Para. 244 (3).)

- (a) the administrative heads of the departments of agriculture veterinary industries and co-operation;
- (b) a representative of factory owners;
- (c) a representative of *zamindars* nominated by the local Government;
- (d) a representative of the Board of Economic Enquiry elected by the Board of Economic Enquiry;
- (e) a representative of Labour nominated by the local Government; and
- (f) a whole-time economist with an assistant trained in statistics (Secretary).

APPENDIX II (a).

Statement showing the distribution of the main questionnaire of the Committee, the number of replies received and the number of witnesses examined.

	QUESTIONNAIRE DISTRIBUTED.			WRITTEN REPLIES RECEIVED.			WITNESSES EXAMINED.	
	English.	Urdu.	Hindi.	English.	Urdu.	Hindi.	Official.	Non-official.
Delhi	119	131	172	17	5	..	4	6
Ajmer-Merwara	116	..	108	26	..	7	4	9
N.-W. F. P.	229	40	..	31	4	..	6	7
TOTAL	464	171	275	74	9	7	14	22

APPENDIX II (b) (i).

Statement showing the distribution of the special questionnaire for postal officials and the number of replies received.

	No. of questionnaire distributed.		Written replies received.
	Hindi.	English.	
Delhi	—	80	37
Ajmer-Merwara	80	40	36
North-West Frontier Province	—	130	115

APPENDIX II (b) (ii).

Statement showing the distribution of the special questionnaire for central co-operative banks and the number of replies received.

	No. of questionnaire distributed.	No. of replies received.
Delhi	1	1
Ajmer-Merwara	3	3
North-West Frontier Province	1	1

APPENDIX II (b) (iii).

Statement showing the distribution of the special questionnaire for judicial officers and lawyers and the number of replies received.

	No. of questionnaire distributed.	No. of replies received.
Delhi	14	4
Ajmer-Merwara	3	1
North-West Frontier Province	7	4

APPENDIX III.
CENTRAL AREAS BANKING ENQUIRY COMMITTEE.

QUESTIONNAIRE.

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

A.—AGRICULTURAL INDEBTEDNESS.

1. In order to devise measures for the increase of credit facilities to the agricultural classes it is necessary to reach an estimate as accurate as possible of the existing indebtedness of these classes. Can you furnish any such estimate for a *village, tehsil* or district in your province, or for the whole province? If not, can you suggest the manner in which such an estimate can be obtained with reasonable accuracy?

In such an estimate please distinguish between

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

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

- (a) the repayment of earlier debts,
- (b) marriage and other social occasions,
- (c) famine and other kinds of distress,
- (d) payment of land revenue,
- (e) growth of the debt by compound interest, interest not having been paid,
- (f) seed and manure,
- (g) improved agricultural implements,
- (h) sinking of wells and agricultural improvements,
- (i) *payment of wages to labourers,*
- (j) *litigation,*
- (k) *purchase of cattle,*

- (l) purchase of land or bringing into cultivation fallow land,
- (m) construction or acquisition of houses,
- (n) education of children.

Who form the majority of these borrowers, persons owning more than an economic holding* or those owning less than it? What percentage of persons owning land above 100 acres borrow for these various purposes? What measures would you suggest for limiting borrowing for wasteful and unproductive purposes? How would you encourage borrowing for productive purposes by these classes?

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

2. Please state what you know of the rates of interest charged by the various classes of creditors and the methods used for calculating interest and for enforcing repayment of debt.

3. How far in your opinion, is the provision of credit facilities effected by existing legislation and legal procedure? Have you any suggestion to make regarding improvements in this respect?

4. Are financial difficulties responsible for replacement, on a large scale, of small agriculturists by (a) bigger zamindars and (b) money-lenders, in the areas with which you are familiar?

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

6. If this process is going on, does it take away from the actual cultivator the incentive to produce more or cultivate his land in a more efficient or better manner? How far can this process be checked by legislation? Can you suggest any other method for counteracting it?

7. Is it customary for zamindar money-lenders in your village, tehsil or district to extract personal service or any other form of labour in lieu of interest on loans from borrowers?

8. Please describe the methods and effects of advances made in cash and in kind by particular money lending communities or agencies such as transborder moneylenders to agriculturists, the operation of loan banks and the system of Rahti loans given by moneylenders to people of small means.

9. Can you state if the Usurious Loans Act is being availed of in your province to any appreciable extent? What measures would you suggest for a free use being made thereof?

10. Would you suggest the enactment of legislation in connection with the publication and regulation of accounts of moneylenders? Would you suggest any legislation for the purpose of ensuring fair transactions between the moneylender and the agriculturist?

11. Are there any village Arbitration Boards or village Panchayats in your village, tehsil, district or province? If so, is this agency freely

*A holding which will support an average family.

resorted to for purposes of settlement of disputes between the moneylender and the agriculturist and is their decision effective ?

B.—FINANCE FOR AGRICULTURAL PRODUCTION.

12. Describe the present system by which the agriculturist (*zamindar and cultivator*) in your *village, tehsil, district or province* obtains finance for

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

Consider separately the cases of (a) *small cultivator or peasant proprietor*, (b) *an owner of about 100 acres of land* and (c) *a large landholder*.

What proportion of it is obtained in kind, *e.g.*, seed, plough, cattle, etc. ?

What are the rates of interest charged in your *village, tehsil, district or province* for advances for (a), (b) and (c), the periods for which loans are ordinarily taken, the nature of the security given and accepted (*e.g.*, standing crops, *land, house-property, ornaments, etc.*), and other conditions attaching to the grant of such loans ? Do you consider the rates of interest exorbitant ? Are different rates of interest charged for cash advances and loans in kind ?

Describe the part played in financing agriculture for (a), (b) and (c), by Government, the Imperial Bank of India, the joint stock banks, co-operative banks, the indigenous banks and bankers, *zamindars*, professional moneylenders, merchants and dealers, and other organisations giving credit (*e.g.*, companies trading in fertilisers, etc.).

13. Does the cultivator freely borrow *takavi* under the *Agriculturists Loans Act* ? If not, please state the reasons. Are there any defects in the working of this Act ? If so, what remedies would you suggest ?

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

15. State defects, if any, in the present system of financing agricultural production and the reasons for the existence of such defects. Can you suggest any remedies ?

16. Can you give an estimate of the total amount of capital required at present for the various purposes mentioned in Question No. 12 for your *village, tehsil, district or province* ? On what basis would you form such an estimate ? Is the capital at present available adequate for the purpose ?

C.—FINANCE FOR MARKETING.

17. Can you name the marketing centres for the various crops in your *village, tehsil, district or province* ?

18. Describe the present method of marketing principal crops in your *village, tehsil, district or province*. What is the part played by the different classes of banks and bankers and merchants and dealers during the process of marketing ? Is there any co-ordination among them and is there any

scope for improvement in that direction? What charges does the cultivator pay to (a) moneylender and (b) the commission agent or the broker? Are there any other incidental charges?

19. In what manner does the agriculturist store his produce,

(a) previous to taking it to the market, and

(b) at the market?

Is it possible for him to use the grain so stored as security for obtaining credit?

20. What in your opinion are the possibilities of operating licensed warehouses in India either on the lines of the system which exists in the United States of America* or otherwise? Do you think there is any need for Government assistance in the matter?

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

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

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

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

23. What are the possibilities of forming pools and of co-operative effort generally in the transporting and marketing of produce?

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

D.—LONG PERIOD LOANS FOR AGRICULTURE.

25. Is there any appreciable demand for long term credit in your village, tehsil, district or province, and if so, by which of the classes specified in questions Nos. 1 and 12?

26. To what extent are loans obtainable for long periods in your village, tehsil, district or province on the security of land by

(a) landlords, and

(b) tenants of various kinds?

27. Does the agriculturist freely borrow takavi under the Land Improvement Loans Act? If not, please state the reasons. Are there any defects in the system? If so, what remedies would you suggest?

28. In your village, tehsil or district what is the average value of land per acre of different quality? What ratio does the annual yield of land of average quality per acre bear to its market value under normal conditions?

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

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

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

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

and also state the cause of the difference.

29. Are there any legal impediments to mortgage of agricultural holdings in your province ? If so, are they having any adverse effect on the agriculturists' capacity to borrow capital for long periods ? Do you suggest any modification of the existing law ?

30. Are there any special difficulties in the areas with which you are familiar in the way of raising money on debenture bonds through mortgage banks and can you suggest any remedies ?

31. Are there any land mortgage banks in your province or any other banks for the provision of long term credit ? If so, state what you know of their method of work and of raising capital ?

32. If no such institutions exist in the province, please suggest the lines on which such institutions could be established and worked to the advantage of landlords and tenants particularly with regard to the following :—

(a) Management, directorate, the rights and votes of shareholders, etc.,

(b) The amount of capital and the value of each share.

(c) In case the share capital is not taken up by the public should the Government undertake the obligation of subscribing the balance ?

(d) What should be the period of the loans advanced by such a bank and what should be the margin between the amount of loan and the value of mortgage ?

(e) In what manner should land mortgage banks obtain working capital, e.g., from

(i) deposits,

(ii) funds from a central institution,

(iii) debenture bonds,

or all of these ?

(f) Should debentures carry Government guarantee either for principal, or interest, or for both ?

(g) If debentures are not taken up by the public, should the Government take up the balance ?

(h) Should the debentures be included in the list of trustee securities ?

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

34. What method would you recommend for calculating the value of land offered for mortgage ?

35. If the Government undertakes any financial obligations, what measures would you suggest to secure it against unnecessary loss ?

36. Do you suggest any measures for

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

37. Can you suggest any other measures for the adequate provision of long term credit against sound security ?

E.—INDUSTRIES SUBSIDIARY TO AGRICULTURE.

38. Give some idea of the small subsidiary industries allied or supplemental to agriculture existing in your *village, tehsil, district* or province, such as rice milling, dairy farming, *gur* making, garden produce, cotton ginning, sugar refineries, hand spinning, etc. *Are these industries suffering from lack of adequate capital ? What measures would you suggest for financing them on an adequate scale ?*

39. Can you suggest methods by which any such industries could be encouraged and by which the producer might be enabled to get a better return for his labour and capital in these industries ?

40. *To what extent will transport facilities provided by the State or by co-operative effort open a market for these subsidiary industries ?*

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

What would be the best method of securing working capital for such enterprises ?

What financial machinery do you suggest for this purpose ?

F.—RURAL CO-OPERATION.

41. *Are the co-operative credit societies in your areas merely money-lending institutions or do they do any real banking business, e.g., receiving deposits, etc. ?*

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

43. *Please point out defects, if any, of the co-operative credit societies in the areas with which you are familiar. Please suggest any remedies for removing them.*

44. Describe any existing difficulties in the matter of financing in the case of co-operative banks both in regard to short and long term capital.

To what extent has the co-operative movement succeeded in meeting the financial needs of the agriculturist ?

45. Can you give an estimate of the amount of extra capital required for financing rural co-operative movement adequately in your *village, tehsil, district or province ?*

46. Is there any competition in your district or province between the co-operative banks and branches of joint stock banks or of the *Imperial Bank of India ?* If so, to what extent and in what direction ?

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

G.—NON-AGRICULTURAL CREDIT AND INDEBTEDNESS.

48. *Can you give any idea as to the rates of interest and the extent of indebtedness of certain classes of urban communities in the areas with which you are familiar ? What banking facilities exist for them and what suggestions have you to make in this connection ?*

49. *Are there any local industries not necessarily allied to agriculture existing in your village, city, tehsil, district or province ? If so, have you any suggestions to make regarding financing them during the process of production or marketing ? Are their financial requirements adequately and satisfactorily met by the existing organisation ? If not, have you any suggestions to make in this connection ?*

50. *To what extent has the co-operative movement succeeded in meeting the financial needs of the small trader, and the industrialist in your village, tehsil, district or province ? How far in your opinion, is the movement capable of meeting the financial needs of these classes ?*

51. *In what directions should the co-operative movement be extended in order to meet the special needs of the urban areas in your province ?*

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

(a) *Export trade—*

(i) *from the village to the Mandi,*

(ii) *from the Mandi to the exporting port.*

(b) *Import trade—*

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

(ii) *from the distributing centres to the consumer.*

What are the terms on which the financing of trade during the above stages is done ? Are any difficulties experienced in this connection and have you any suggestions to make for removing those difficulties and for improving in any way the financial facilities existing for this purpose ?

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

H.—TRANSBORDEE TRADE.

(These questions are meant for witnesses in Baluchistan and N.-W. F. Province.)

54. *What is the existing system of trade with transborder countries in your district?*

What are the existing facilities available to small traders for carrying on this trade?

What are the rates of interest and other charges paid by these traders?

State any defects in the present system.

Have you any suggestions to make for improvement in the present system?

Have you any suggestions to make for the better protection of the financing agencies?

I.—INDIGENOUS BANKER AND MONEYLENDER.

(*Note.—This class includes individuals or private firms receiving deposits, dealing in hundis or lending money other than the Imperial Bank of India, exchange and joint stock banks, co-operative banks and Post Office Savings Banks.*)

55. *Please name the communities which practice indigenous banking and moneylending in the areas with which you are familiar.*

56. *State what you know of the functions of the indigenous banker or moneylender in your village, tehsil, district or province, enumerating all kinds of business he transacts? Does he combine other business with banking? If so, to what extent? What percentage of these indigenous bankers live exclusively or mainly on moneylending and banking?*

57. *How and to what extent does an indigenous banker or moneylender, in your village, tehsil, district or province assist in financing agriculture, trade and industry? Do any of them invest in industrial shares or keep bank deposits with industrial concerns to any appreciable extent?*

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

- (a) *the amount of capital invested,*
- (b) *the volume of their business,*
- (c) *their expenses,*
- (d) *the relations between the village moneylender or banker, the town banker and the big shroff in cities and between these indigenous bankers and other banks in the country, viz., the*

Imperial Bank of India, the joint stock banks and the co-operative banks, and

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

59. State what you know of the various forms of *hundis* and other credit instruments used by the indigenous bankers and moneylenders, the extent of their use as compared to the use of rupees and notes, and the stage of production or marketing in which they are used. Give sample copies of any of the *hundis*, promissory notes, deposit receipts, etc., used in your locality.

60. State what you know of the indigenous banker's methods of granting loans and allowing cash credits and the terms and nature of these loans and cash credits.

61. What are the means by which the indigenous bankers provide themselves with funds to meet the demands on them for funds? Distinguish in this respect between the village moneylender or banker, town banker and the big shroff in cities. Form an estimate, or indicate, the means of forming an estimate, as to the extent of their deposits.

62. What are the rates of interest allowed on various kinds of deposits received by them? Do these rates vary in different seasons? What are the rates of interest charged by one indigenous banker to another (*saukari* rates) with or without security?

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

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

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

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

Are the dealings of this class of bankers with their clients conducted on sound lines? If not, indicate the existing defects, making suggestions for remedying them.

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

How many of the indigenous bankers or moneylenders have failed since 1920? Is their business generally declining or increasing?

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

67. What are the existing facilities available to the public, including indigenous bankers and moneylenders for internal remittance?

To what extent do supply bills facilitate remittances? Have you any suggestions to make for increasing their use?

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

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

Does money flow from one rural centre to another and from rural centres to urban centres during any season of the year ?

Are bills of exchange payable at more than one year after date or sight common, and what importance, if any, is attached to them by the commercial community from the point of view of stamp duty ?

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

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

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

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

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

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

70. *At what rates are hundis purchased and sold in the bazar during the different seasons ? Does the Imperial Bank of India's hundi rate affect these rates ? If so, to what extent ?*

71. Are these bankers sufficiently protected in law ?

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

72. Would you suggest any means of making this class of bankers more serviceable to the community ? *Can they secure larger clientele if they are recognised by Government ? What should be the terms and conditions of such recognition ?*

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

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

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

75. *Could you suggest any means of creating or increasing trade bills which the Imperial Bank of India or a Reserve Bank could discount ?*

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

77. Would you suggest the establishment of a branch of a joint stock bank, or a branch of a Central Reserve Bank, or a local bank with local

directorates in each district with which the indigenous banking system may be connected ?

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

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

78. *What suggestions have you to make in regard to closer connection (a) between the village banker and the city shroffs and (b) between the Indian indigenous bankers and shroffs on the one hand and joint stock banks, including the Imperial Bank of India, on the other hand ?*

J.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

79. *How many of the agriculturists living in your village have in your opinion got a surplus income over their necessary expenditure ? Estimate the total amount available for saving in your village, tehsil, district or province.*

80. *Can you form an estimate of the actual capital savings of the agriculturist in your village, tehsil, district or province ?*

81. *Can you give any useful information in regard to the habits of the people of India to invest in silver and gold ? Attempt an estimate of the amount of gold and silver bought in your village, tehsil, district or province since 1913.*

Is the tendency towards hoarding increasing or decreasing ? Can you give an estimate of the amount of hoarded wealth (e.g., valuables kept buried, ornaments, etc.), for your village, tehsil, district or province ? On what basis do you arrive at the estimate ?

82. *Can you indicate clearly the habits of various groups of people of communities in your district or province with reference to monies which come into their hands by sale of produce or through any other cause ? Where do they keep this money and for what purposes and in what manner do they use it ? What has been the influence of co-operative societies and banks, insurance companies and provident societies in this respect ?*

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

84. *State what you know about the growth of cheque habit ?*

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

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

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

85. *Do you support the view that the banking and investment habit in India is of very slow growth ? If so, to what causes do you attribute it ?*

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

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

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

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

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

Do Post Office Savings Banks afford all possible facilities to the public ?

What classes of population resort to such forms of investment ?

Can anything be done to attract other classes ?

87. *Will savings associations like those under the National Savings Movement in England help to popularise the Cash Certificates ? Have you any knowledge of Investment Trusts ? Do you advise the formation of such bodies in your province or district ?*

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

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

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

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

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

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

94. What are the existing banking resources in your district or province ? Do you consider them adequate ?

95. *Can you suggest places suitable for the opening of Post Office Savings Banks, co-operative credit banks, mortgage banks, and branches of joint stock banks in the areas with which you are familiar ?*

APPENDIX IV.

Special questionnaire of the Central Areas Banking Enquiry Committee for Postal Officials.

DEPOSITS.

1. Please state the average amount of Savings Bank Deposits in your branch for the year 1913, 1918 and each of the years since 1920, mentioning the months 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.

2. What classes of people keep the Savings Bank Deposits with you and what roughly is the proportion of the Deposits of each of these classes to the total ?

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

4. How do persons other than depositors invest their occasional or permanent savings in your locality ? Do you think that if your branch opens current accounts bearing no interest or a nominal rate of interest withdrawable by cheque, it will attract any substantial deposits from the various classes of people in the area in which your branch is located ?

5. Have you experienced any difficulty in meeting the demand for withdrawals from the cash ordinarily kept in your branch ?

REMITTANCES.

6. Please give the total amount of money remitted by money orders to and from your post office during each of the years mentioned above.

7. Do you usually have a surplus of remittances to your branch over remittances from your branch ? Please mention the months of the year during which you usually have a

surplus. . What is the total amount of money which you have been transmitting directly or indirectly to the headquarters in each of the years mentioned above ?

POST OFFICE CASH CERTIFICATES AND TREASURY BILLS.

8. What was the average amount of investment in cash certificates and treasury bills by the people of your locality during each of the years mentioned above ? What percentage of the people living in the locality in which your office is situated are familiar with these forms of investment ? What methods would you suggest to make these facilities better known to them ? 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 Joint-Stock Banks in your locality ?

9. Are there any special development difficulties standing in the way of your office—

- (a) serving as a place of safe deposit for gold, silver, jewellery, documents, etc. ;
- (b) opening current accounts ;
- (c) selling Government Securities ;
- (d) undertaking encashment of notes into gold in small amounts at rates which do not involve loss to Government ;
- (e) lending out surplus funds on the spot under suitable safeguards and limitations to—
 - (1) licensed Mahajans,
 - (2) agriculturists,
 - and (3) non-agriculturists.

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

APPENDIX V.

*QUESTIONNAIRE FOR CENTRAL CO-OPERATIVE BANKS.

I.—*Relations of the Central Bank with affiliated Rural Credit Societies.*

1. (a) Does the Central Bank in granting loans to societies distinguish clearly between short term and long term loans? If so, what number of years is taken as the dividing line? What proportions of the loans granted to rural credit societies in the last three years are recoverable by instalments terminating with the period regarded as "short term"? What is the longest period over which repayment is spread?

(b) Whether any such distinction is observed or not, please state the amount of outstanding loans to rural credit societies repayable:—

(i) In 1929. (ii) In 1930. (iii) In 1931. (iv) In the years 1932-33. (v) After 1933.

(c) If any revision of the *kists* for repayment of loans by societies to the Central Bank has been approved during the last three years, please state the result of the revision in the following form:—

	Amount due in the year of revision.	Amount due in the first year after revision.	Amount due in the second year after revision.	Amount due in subsequent years.
	Rs.	Rs.	Rs.	Rs.
Before revision	—	—	—	—
After revision	—	—	—	—

2. Have any loans been granted during the last three years by the Central Bank to rural credit societies expressly for (i) repayment of old debts, including redemption of mortgaged land, or (ii) improvements of land? If so, what are the usual periods of repayment for each class?

3. What proportion of loans due for repayment to the Central Bank by rural credit societies has actually been repaid in each of the last three years?

II.—*Relation of the Central Bank with Societies other than Rural Credit Societies.*

4. What other societies are affiliated to the Central Bank besides rural credit societies? Please state for each the number of members, its purpose, and its present financial position?

5. Have any such societies been liquidated during the last five years?

* The Committee is indebted to the Bihar and Orissa Banking Enquiry Committee for most of the questions included in this questionnaire.

6. Is the Central Bank's own financial position in any way embarrassed by its connection with such societies? What proportion of the outstanding liability of all classes of societies to the Central Bank is due from societies other than rural credit societies?

III.—Finance.

7. Please give details of the Central Bank's working capital as it stood on the 31st December 1928 in the following form:—

- (1) Paid-up share capital.
- (2) Deposits.
- (3) Other borrowings.
- (4) Reserve Fund.
- (5) Other Funds.
- (6) Undistributed profits.
- (7) Miscellaneous.

8. Please give further details of deposits in the following form:—

A. By primary societies—

(i) at call, *i.e.*, current accounts, savings bank account, reserve and other funds of primary societies.

(ii) in fixed periods—

1 year, 2 years, 3 years. More than 3 years.

B. By individuals—

(i) at call, *i.e.*, current and savings bank accounts.

(ii) in fixed periods—

1 year, 2 years, 3 years. More than 3 years.

Are facilities of depositing restricted to persons who are shareholders or who reside in the area of the Bank's activity, etc.?

9. Please give further details of "other borrowings".

10. What are the liquid resources of the Central Bank for (i) normal requirements and (ii) sudden emergencies? What proportion do they bear to the total assets of the Bank? Have any emergencies occurred, and if so, how have they been met?

11. What are the rates of interest paid by the Central Bank on the various kinds of deposits and on "other borrowings"?

12. Has the Central Bank more money on deposit than it can profitably employ? If so, what steps have recently been taken or are in contemplation to remedy the position, either by expanding business or by reducing the rate of interest? Is there any ground for believing that reduction in the rate of interest will cause excessive withdrawal of deposits?

13. At what rate of interest does the Bank lend to (i) rural credit societies, (ii) other classes of societies affiliated to it? Please state if there are any exceptional rates in special cases.

14. At what rates of interest do primary rural credit societies lend to their members?

15. Do the Central Bank and the rural credit societies insist on collateral security for all or any classes of loans to members? What proportion of the total debt due to primary rural credit societies is backed by such security? Has the proportion shown a tendency to increase in recent years?

16. Do the rural credit societies experience any difficulty in enforcing their claims against members? In what circumstances does the mahajan come to have a prior claim to the society on the assets of a member?

17. How is transmission of funds (i) between the Central Bank and the primary societies arranged? How is interest on deposits, dividend, etc., paid by the Central Bank?

18. What dividends has the Central Bank declared on share capital during the last three years?

19. Does the Central Bank engage in any other banking activities than financing its affiliated societies, *e.g.*, discounting bills of exchange? If so, please give a detailed account of such activities.

IV.—General.

20. Please state the year in which the Central Bank was founded and the total number of affiliated societies and of their members on the 31st December 1928.

21. To what classes do the present directors belong, *e.g.*, professional gentlemen of the town in which the Bank is situated or representatives of the rural societies? Have the latter any real influence on the general policy or the detailed working of the Bank?

22. Please note any special features of the Central Bank.

APPENDIX VI.

*SPECIAL QUESTIONNAIRE REGARDING LEGAL PROCEDURE, ETC.

1. What amendments of the Negotiable Instruments Act do you consider desirable in the interests of either the public or the bankers? Explain the effect of your proposal.
2. What are the most usual reasons for failing to pay given by persons who are sued on a pro-note or on a mortgage-deed? What are generally the real reasons?
3. How long does it take on an average to recover through the civil courts in your locality money due on a pro-note? How could this time be reduced?
4. (1) How long does it take on an average in your locality to obtain a preliminary decree in a mortgage-suit? How could this period be reduced?
 (2) When six months have expired since a preliminary mortgage decree has been given, how much longer is required on an average to get a final decree? How can this time be reduced?
 (3) How long is the ordinary interval between the date of the final decree and the date of publication of a proclamation of sale? How can this interval be reduced?
 (4) How long a time elapses on an average between the proclamation of sale and the recovery of the money? How can this time be reduced?
 (5) What reasons are there for and against reducing the period of six months granted by a preliminary mortgage decree? How much reduction do you recommend?
5. What is the usual expense in recovering money due on a pro-note for (a) one hundred rupees, (b) one thousand rupees? Please show how the various parts of this expense are incurred.
6. How could a reduction of the court-fees in suits on pro-notes or mortgages be justified?

Title in land.

7. What changes should be made in the system of Land Records or the Registration of Deeds or elsewhere to simplify or cheapen the investigation of title in land?

Usurious Loans Act.

8. (1) Do many people know that this Act exists?
 (2) Do many debtors in your district ask for the application of the Usurious Loans Act when sued for their debts?

* The Committee is indebted to the Burma Banking Enquiry Committee for most of these questions.

(3) Do civil courts apply the Act without being asked by the debtor to do so?

(4) Are there many cases in which the Act should palpably be applied but is not?

9. (1) Does a debtor who asks for the Act to be applied find greater difficulty in consequence in getting credit afterwards?

(2) Does that happen if the court applies the Act without being asked by the debtor to do so?

(3) Are there any other disadvantages for a debtor who (a) claims the benefit of the Act or (b) is given the benefit without asking for it?

10. Do lenders commonly protect themselves against application of the Act by getting new bonds executed just before bringing their suit, the principal of the new bond being made up of the principal and interest of the old bond and the borrower having no means of showing to the court that the new amount is made up in this way? Is legislation required to remedy this? Would a law requiring the lender to give the borrower a statement of the account every six months (or every year) be appropriate?

11. How will any law limiting interest affect borrowers who have little or no security to offer? If the law recognises that interest must correspond to the lender's risk, what is the limit to the rate that must be paid by a tenant cultivator with no property? If the law fixes an absolute limit, will not the borrowers seek out lenders prepared to break the law and pay the present rates increased further to cover the lender's risk of punishment?

12. How would any of the remedies you suggest or approve meet the case of the borrower requiring money so urgently that he is willing to sign a bond for a principal much in excess of what he actually borrows? The Act includes this excess in 'interest' but will the borrower be able to prove the excess?

13. (1) What advantages and disadvantages either for individuals or for the country in general, would arise if the Act were used more frequently?

(2) How could more frequent use of the Act be brought about?

(3) Do you recommend the adoption of those measures?

(4) Is there a danger that measures designed to encourage the use of the Act might lead to (a) widespread attempts to repudiate just debts or (b) extravagance in incurring debt or (c) greater readiness on the part of people in general to break contracts? Do these dangers attend the measures you recommend? How should they be met?

14. Is it true that borrowers anxious to get money will try to evade whatever law of this kind is made? Is it possible to prevent evasions effectually?

15. (1) Do you recommend any amendment of the Act? Give particulars.

(2) Do you recommend the repeal of the Act with or without the substitution of different legislation? Give reasons.

Insolvency of Agriculturists.

16. What changes are required in the Provincial Insolvency Act with respect to agriculturists?

17. (1) If cultivators who have no hope of paying their debts went through some sort of insolvency procedure what advantages and disadvantages would they find?

(2) Is it desirable that a considerable number of agriculturists should go through such a procedure? What would be the effect upon the lenders and upon the conditions of agricultural credit?

Banking Law and Practice.

18. (1) Should the term *banker* be defined in the Negotiable Instruments Act?

(2) Can this definition be given satisfactorily otherwise than by instituting a register of bankers?

(3) If a register of bankers is instituted,

(a) What should be the qualifications for admission to the register?

(b) Who should decide upon applications for admission?

(c) Should unregistered persons be forbidden to do business under any title including the word *bank* or any of its derivatives?

(d) Should the *privileges* given to bankers by the Negotiable Instruments Act, the Bankers' Books Evidence Act or any other law be confined to registered bankers, while every person who carried on business under a title including the word *bank* (or any of its derivatives) or held himself out as a banker would be subject to all *restrictions* imposed upon bankers by law? (See item 5 of this question.)

(e) Should any kind of banking business be forbidden to unregistered persons?

(4) If you prefer another plan describe it and give a definition of *bank* or *banker* suitable for the Negotiable Instruments Act, having regard to the matter of item 5 of this question. Explain also how your definition would apply to persons who combine banking business with some other business to which it may or may not be subsidiary.

(5) The term *banking* is used in sections 4 and 259 of the Indian Companies Act without definition; *banker* is used in Articles 1 and 53 (1) of Schedule 1 of the Indian Stamp Act with the definition in section 2 (1)—that *banker* includes a bank and any person acting as a banker; in the Bankers' Books Evidence Act

the terms *bank* and *banker* mean "any company carrying on the business of bankers" (and also persons to whom the Act is extended by notification in the Gazette). Should a definition be inserted in the Indian Companies Act? Suggest a satisfactory definition for each Act. For each question consider the case in which banking is combined with some other business, whether as a subsidiary business or not.

19. (1) Should the term "customer of a bank" be defined for the purposes of the Negotiable Instruments Act? What definition should be adopted, having regard to the interests of both the bankers and the public? (See Paget's Law of Banking, 3rd edition, pages 10 to 14 and Legal Decisions Affecting Bankers, Volume III, pages 89 and 220.)

(2) Should the Act also state what the duties of a banker are in respect of enquiries to be made and references to be required on admission of a new customer? (See Paget's Law of Banking *II et seq* and Journal of the Institute of Bankers, Volume XLIX, Part V, page 234). Should there be any distinction between registered and unregistered bankers in this matter? [See item 3 (d) of question No. 18.]

20. Before the Underwood decision, in cases where the banker made no arrangements with his customer as to whether he would honour the customer's cheque against uncleared effects, the credit on open cheques received by the banker for collection made the banker a holder for value. He was therefore (assuming there was no question of a forged endorsement) protected against the true owner. In 1924 the Underwood case put upon the banker the burden of proving (i) that cash was carried and (ii) that the customer might draw at once; thus in most cases the banker would not be deemed to be a holder for value and would consequently be protected against the true owner if it should be found that his customer had not a good title. (See Legal Decisions Affecting Bankers, page 327 *et seq*). Should legislation be undertaken on account of this decision so as to relieve the banker of the burden it imposes upon him? Would it be suitable for this purpose to declare that, by crediting as cash a bill or an uncrossed cheque which was not overdue and upon which there was no forged endorsement, a banker shall become a holder for value?

20A. Is it desirable to have the term "negligence" in section 131 of the Negotiable Instruments Act defined? Would it be satisfactory to define it as an omission to do anything which a reasonable business-man would do, taking surrounding circumstances into consideration? What changes in this definition would you make? (See the case of *Morrison vs. Westminster Bank* in Legal Decisions Affecting Bankers, Volume III, page 91.)

21. In England it has been decided in the Macmillan case (Legal Decisions Affecting Bankers, Volume III, page 163) that it is the duty of a customer to draw his cheques in such a way as not to facilitate fraud. Should this ruling be embodied in the

Negotiable Instruments Act? Please suggest how this should be done.

22. Are you in favour of legislation to make the taking out of his pass-book by a customer and its return to the bank by him without comment constitute a settled account? (that is to say the customer should be assumed to have accepted the account as correct at the date the account was made up.) How would you provide for customers who only send in or take out their pass-books at long intervals? Are there other cases of difficulty?

23. (1) Comment upon the proposal that drafts, *hundis* and cheques originally made payable to bearer should be declared by law to be negotiable by delivery in all circumstances irrespective of any endorsements that may be made upon them. Do you approve?

(2) If such legislation is passed will there be need for protection in the case of *hundis* analogous to that provided by crossing in the case of bearer cheques?

24. Is it desirable to create by law a special type of negotiable instrument which being originally drawn payable to bearer should always remain payable to bearer?

25. What other amendments to the Negotiable Instruments Act with respect to cheques, or to *hundis* or to any other negotiable instruments do you recommend?

26. What amendments to the Bankers' Books Evidence Act do you recommend, apart from that considered in question No. 18 above?

APPENDIX VII.

Abstract of cases picked up at random from the files of decided cases in the Law Courts of Delhi, Ajmer-Merwara and the North-West Frontier Provinces.

DELHI PROVINCE.

I.—Case No. 83.—Pohkar *versus* Jawahir.

- A. FACTS.**—1. The plaintiff is a Jat by caste and resident of Deoli and the defendant is an Ahir by caste, resident of Khanpur. Both villages are in Delhi Province.
2. The plaint was presented on the 7th February 1929.
- (a) The defendant borrowed a sum of Rs. 76 on interest at Rs. 1-8 per cent. per mensem on the 12th February 1926.
- (b) Nothing was paid to the plaintiff before the institution of the case.
- (c) A claim for recovery of Rs. 100, *i.e.*, principal Rs. 76 and interest Rs. 24, was brought in after calculating interest at the rate of 18 per cent., Rs. 16 being relinquished.
3. A decree for the full amount claimed was awarded on the 18th May 1929, *i.e.*, Rs. 100 with costs Rs. 14-8.
4. No execution application was made.
- B. CONCLUSION.**—(I) Assuming that the decree-holder actually realized the decreed amount out of Court the plaintiff received Rs. 24 as interest on Rs. 76 for 3 years and 3 months. The rate of interest works out to 9.7 per cent., while the stipulated rate of interest was 18 per cent. per annum.
- (II) Assuming that the plaintiff failed to realise the decretal amount, he lost his principal, the interest thereon and the costs.

II.—Case No. 172.—Rati Ram *versus* Nandi.

- A. FACTS.**—1. Plaint was presented on the 2nd April 1929.
- (a) The defendant purchased cloth worth Rs. 10 on credit on the 14th April 1926 and promised to pay interest at the rate of 2 per cent. per mensem.

sem. After that he borrowed a sum of Rs. 19 on the 31st July 1927 at the same rate of interest, i.e., 2 per cent. per mensem.

(b) A claim for the recovery of Rs. 48-3-6 was brought after calculating interest at 2 per cent. per mensem, i.e., Rs. 29 principal and Rs. 19 interest and As. 3-6 postage on notice.

2. A decree for Rs. 38 including the costs amounting to Rs. 3-8 was awarded to the plaintiff on the 22nd April 1929. The defendant promised to pay this in monthly instalments of Rs. 5 each. The Court not only disallowed interest at the stipulated rate but allowed easy instalments spread over a long period without any interest whatever.

3. No execution application was made.

B. CONCLUSION.—Assuming that the amount decreed was paid fully, the plaintiff received Rs. 5-8 as interest for the whole period. The rate of interest works out to about 7-8 per cent. while the stipulated rate of interest was 2½ per cent.

III.—Case No. 818.—Baldeo Jat *versus* Ghisa Jat.

A. FACTS.—1. Both of residents of Bankner, Delhi.

2. Plaint was presented on the 3rd November 1928.

(a) The plaintiff deposited a sum of Rs. 113-7-6 on the 8th of Sawan Sambat 1979, and the defendant promised to pay interest at the rate of ¼ per cent. per month. On the 3rd June 1928 the plaintiff withdrew a portion of his deposit leaving Rs. 90 with the defendant at the same rate of interest.

(b) A claim for recovery of Rs. 100, i.e., Rs. 90 principal and Rs. 10 interest was brought, after calculating interest at the rate of ¼ per cent. per month and relinquishing Rs. 3-8.

3. (a) A decree for the full amount claimed Rs. 100 was awarded against the defendant with costs Rs. 53-2.

(b) Full interest up to the date of institution of the case was awarded, but interest was not allowed by the Court during the pendency of the suit.

(c) No interest was awarded after the date of the decree.

4. Application for execution of the decree was made on the 25th June 1929 and the whole amount of Rs. 100 plus Rs. 53-2 for costs was recovered from the defendant.

B. CONCLUSION.—The plaintiff received Rs. 10 as interest on Rs. 90 for the whole period. The interest for the period the money was deposited comes to about Rs. 3-2-3 per cent. per annum while the stipulated rate of interest was 6 per cent.

IV.—Case No. 18.—Kanshi Ram versus Jot Pershad.

A. FACTS.—1. The plaintiff is a Brahmin by caste and the defendant a Jain. Both are residents of Mehrauli in Delhi Province.

2. Plaint was presented on the 25th February 1927.

(a) The defendant executed a bond on the 7th January 1926 for Rs. 60 and agreed to pay the whole sum in instalments of Rs. 5 each and in default promised to pay interest at the rate of 2 per cent. per mensem.

(b) The defendant paid Rs. 30 before the institution of the case.

(c) A claim for the recovery of Rs. 51-8 was brought in after calculating interest on the principal at the rate of 2 per cent. per mensem.

3. A decree for Rs. 39-10 was awarded with costs Rs. 4. Instalments at long intervals were allowed without any interest so long as the instalments were paid in time.

4. The first execution application was made on the 6th June 1929.

B. CONCLUSION.—The plaintiff was awarded Rs. 9-10 as interest on Rs. 30 for 3 years and 5 months. The rate of interest awarded by the Court comes to 9-3 per cent. per annum while the stipulated rate of interest was 2½ per cent. per annum.

V.—Case No. 3500.—Ghisa Mal versus Molvi Mohammad Ismail.

A. FACTS.—1. Both residents of Paharganj, Delhi.

2. Plaint was presented on the 26th November 1926.

(a) The plaintiff borrowed the following amounts from the defendant:—

Rs. 50 on the 22nd June 1923, Rs. 50 on the 23rd July 1923 and Rs. 50 on the 7th September 1923.

The rate of interest agreed upon was 2 per cent. per mensem.

- (b) A claim for the recovery of principal and interest was brought in, *i.e.*, for Rs. 150 principal and Rs. 119-8 as interest.
3. (a) A decree for the recovery of Rs. 269-8 on the 25th November 1926 was awarded with costs amounting to Rs. 35-4.
- (b) Full interest was awarded up to the date of institution of the suit but not after the decree.
4. (a) The first execution application was made for the recovery of Rs. 269-8 on the 27th May 1927, but nothing was recovered.
- (b) The second application was made and properties were attached on 7th March 1928 and the whole sum was recovered.

B. CONCLUSION.—The rate of interest actually realised comes to 16·1 per cent. per annum while the stipulated rate of interest was 24 per cent.

VI.—Case No. 2879.—Pundit Ram Kishen *versus* (1) Abdur Rashid, (2) Kallan, and (3) Murli.

- A. FACTS.**—1. The plaint was presented on the 14th November 1923.
- (a) The defendants had jointly executed a bond on the 6th June 1921 for Rs. 100 with a promise that interest would be paid monthly and the principal after 6 months.
- (b) The rate of interest agreed upon was 1 anna per rupee per month.
- (c) Plaintiff received a sum of Rs. 30 only from the defendants prior to the institution of the case.
- (d) A claim for the recovery of Rs. 250 in all was brought in after calculating interest.
2. (a) A decree for the full amount claimed Rs. 250, *i.e.*, Rs. 100 principal and Rs. 150 interest due to the plaintiff, was awarded against all the defendants including an *ex-parte* decree against No. (2) on the 16th November 1923, with costs amounting to Rs. 43-10.
- (b) Full interest up to the date of institution of the suit was awarded.
- (c) No interest was awarded from the date of decree.

3. (a) Application for execution was made on the 19th January 1924. The properties of the defendants were attached.
- (b) On the 5th January 1927 the second application was put in for the recovery of Rs. 250 *plus* Rs. 43-10. Out of this only Rs. 130 was recovered from the sale proceeds of the properties attached. The remaining sum of Rs. 120 *plus* Rs. 43-10 *plus* Rs. 5 (expenses incurred in connection with the execution application) could not be recovered from the defendants.

The file does not show any recovery of the remaining amount.

B. CONCLUSION.—The plaintiff received only Rs. 11-6 as interest on Rs. 100 for 5 years and 7 months which works out to 2 per cent. per annum while the stipulated rate of interest was 75 per cent.

VII.—Case No. 3152.—Ram Lal *versus* Gordhan and others.

A. FACTS.—I. Both residents of Shah Mobarka, Delhi.

2. (a) The defendant borrowed on the 30th August 1921 Rs. 150 and promised to re-pay in 6 equal instalments of Rs. 25 each. In case of default interest was to be charged at 37.5 per cent. per annum.
- (b) A claim for the recovery of Rs. 250 (Rs. 150 as principal and Rs. 100 as interest) was put in after calculating interest.
3. A decree for the full amount claimed was awarded on the 15th December 1923, *i.e.*, Rs. 250 with costs Rs. 29-6.
4. (a) First execution application was made on the 24th November 1924 for the recovery of the full amount with costs, out of this only Rs. 7-12 was recovered and property was attached. After some time Rs. 20, Rs. 80 and Rs. 25 were recovered and both came to an understanding that the remaining sum would be paid in instalments of Rs. 15 each.
- (b) The second application for execution was made on the 5th November 1929 for the recovery of Rs. 170. (This include interest awarded on the decreed amount.) The defendant admitted the claim and promised to pay it in monthly instalments of Rs. 5 each, and so long as the instalments were paid in time no interest was to be charged.

B. CONCLUSION.—Assuming that the plaintiff recovered the amount in full in accordance with the terms of the settlement, he realised interest at the rate of 8·4 per cent. while the stipulated rate of interest was 37·5 per cent. per annum.

VIII.—Case No. 3140.—Kalloo Mal *versus* (1) Mohan and (2) Tara.

A. FACTS.—1. Both residents of Ganj Amir Khan.

2. Plaint was presented on the 7th December 1923.

(a) The defendants had executed a bond on the 19th June 1920, for Rs. 125 and agreed to pay it back in monthly instalments of Rs. 10.

(b) The rate of interest agreed upon was 37·5 per cent. per annum.

(c) Plaintiff received a sum of Rs. 35 only prior to the institution of the suit.

(d) A claim for recovery of Rs. 90 principal and Rs. 60 as interest, *i.e.*, Rs. 150 was brought in, after calculating interest at the rate of $3\frac{1}{8}$ per cent. per mensem and relinquishing Rs. 84·8.

3. (a) A decree for the full amount claimed, *i.e.*, Rs. 150 was awarded against the defendants on the 15th December 1923 with costs amounting to Rs. 24·2.

(b) Full interest up to the date of the institution of the suit was awarded but instalments were allowed without any interest so long as instalments were paid in full.

(c) No interest was awarded from the date of the decree.

4. Application for execution was made on the 13th December 1926 and the judgment-debtor agreed to pay the whole amount in monthly instalments of Rs. 8 each.

B. CONCLUSION.—The actually realised interest works out to 6·9 per cent. per annum while the stipulated rate of interest was 37·5 per cent.

IX.—Case No. 3789.—Mangi Lal *versus* Mahrab.

A. FACTS.—1. Both residents of Paharganj.

2. The plaint was presented on the 6th December 1926.

(a) The defendant took on the 16th December 1923 Rs. 100 on a bond and agreed to pay interest at the rate of 37·5 per cent. per annum.

(b) A claim for the recovery of Rs. 215-10 was brought in and a decree for the full amount was awarded with a proviso to the effect that the whole sum would be paid in monthly instalments of Rs. 10 each.

3. The first execution application was made on the 27th April 1927. The properties were attached.

The second application was made on the 4th May 1927.

B. CONCLUSION.—Assuming that the whole amount was recovered through attachment every time, and that the instalments are appropriated first to interest and then to principal, the rate of interest works out to 26·5 per cent. while the stipulated rate of interest was 37·5 per cent.

X.—Case No. 716.—Ram Chand *versus* Ghulam Ahmad.

A. FACTS.—1. Both residents of Paharganj, Delhi.

2. The plaint was presented on the 7th February 1927.

(a) The defendant took Rs. 200 from the plaintiff on the 15th December 1924.

(b) The rate of interest agreed upon was $6\frac{1}{4}$ per cent. per mensem.

(c) A claim for the recovery of Rs. 500 was brought in.

(d) Rs. 25 were recovered before the institution of the case.

3. A decree for the recovery of Rs. 500, i.e., Rs. 200 principal and Rs. 300 interest, was awarded on the 3rd March 1927, with costs amounting to Rs. 66-5.

Full interest up to the institution of the case was awarded.

No interest was awarded after the decree.

4. An execution application was made on the 16th May 1927 for the recovery of Rs. 500, with no result.

B. CONCLUSION.—Even presuming that the whole amount was recovered in full, the plaintiff received Rs. 325 as interest on Rs. 200 for 2 years and 5 months. The rate of interest works out at 67 per cent. while the stipulated rate of interest is 75 per cent.

XI.—Case No. 2878.—Pundit Ram Kishen *versus* (1) Rahmat Khan, (2) Dindar Khan, and (3) Murli.

A. FACTS.—1. The plaint was presented on the 14th November 1923.

- (a) The defendants had jointly executed a bond on the 2nd October 1920 for Rs. 48 and agreed to repay it in monthly instalments of Rs. 6 each and in case of default to pay interest at 37·5 per cent.
 - (b) Plaintiff received Rs. 8 from the defendants prior to the institution of the suit.
 - (c) A claim for the recovery of Rs. 40 principal plus Rs. 35 interest, *i.e.*, Rs. 75 was brought in after calculating interest at the rate of 37·5 per cent. and relinquishing the balance.
2. (a) A decree for the full amount claimed, *i.e.*, Rs. 75 was awarded against all the defendants including an *ex parte* decree against defendants Nos. 1 and 3 on the 1st December 1913, with costs amounting to Rs. 12·5.
- (b) Full interest up to the date of the institution of the case was awarded.
 - (c) No interest was awarded after the date of the decree.
3. (a) An execution application was made on the 9th December 1925 but a sum of Rs. 15 only was recovered. Re. 1·8 was spent in connection with execution application.
- (b) On the 23rd April 1926 the second application for execution was put in for the recovery of the remaining sum Rs. 73·13 which was recovered in full.

B. CONCLUSION.—The plaintiff received Rs. 35 as interest for 5 years and 6½ months on Rs. 40. The interest works out to 15·8 per cent. per annum up to the date of full payment while the stipulated rate of interest was 37·5 per cent. per annum.

XII.—Case No. 4438.—Ghisa Mal *versus* (1) Abdul Qadir and (2) Musammat Aliman.

A. FACTS.—1. Both residents of Paharganj, Delhi.

2. The plaint was presented on the 8th December 1926.

- (a) The defendants had executed a bond on the 28th September 1923 for Rs. 48 and agreed to repay

it in monthly instalments of Rs. 4 each and in default to pay interest at the rate of 37·5 per cent.

- (b) Interest agreed upon was 6 pies per rupee per month, *i.e.*, 37·5 per cent.
 - (c) Plaintiff received a sum of Rs. 20 only from the defendants prior to the institution of the case on the 28th January 1924.
 - (d) A claim for recovery of Rs. 50, *i.e.*, Rs. 28 principal and Rs. 22 interest, was brought in after calculating interest at the rate of 37·5 per cent, and relinquishing the balance.
3. (a) A decree for the full amount claimed, *i.e.*, Rs. 50 was awarded against all the defendants on the 10th May 1927 with costs Rs. 4-4.
- (b) Full interest up to the date of institution of the case was awarded.
 - (c) No interest was awarded after the date of the decree.
4. (a) The first application for execution was made on the 12th November 1927. Only Rs. 5 were recovered then, but later on Rs. 30 are said to have been realised.
- (b) The second execution application was put in for the recovery of the remaining sum on the 23rd July 1928.

NOTE.—It does not appear from the Court file that the remaining sum was realised from the defendants.

B. CONCLUSION.—Assuming full recovery after the second execution application, the plaintiff received Rs. 22 as interest on Rs. 28 for 4 years and 1½ months and on Rs. 15 for 8 months and 11 days. The rate of interest realised comes to 17·4 per cent. while the stipulated rate of interest, was 37·5 per cent.

PROVINCE OF AJMER-MERWARA.

I.—Case No. 28 of 1928.—Moolchand *versus* Lachman, son of Gadu Dhanra.

- A. FACTS.**—1. Loan advanced on the 1st of November 1922 was Rs. 7-8. The stipulated rate of interest was 37·5 per cent. per annum.
2. Total amount including interest said to be due up to 30th May 1927 was Rs. 15. The amount said to have been recovered before filing the suit was *nil*. The amount claimed was Rs. 15.

3. (a) The suit ended in a compromise decree for Rs. 7-8 *plus* costs amounting to Rs. 10, *i.e.*, total Rs. 17-8. The decreed amount was to be paid first by Dhanna in lump sum at a time; if he failed to pay, the money was to be recovered from Lachman.

(b) No interest was awarded after the date of the decree.

4. No execution application has been made so far.

B. CONCLUSION.—(I) Assuming that the decreed amount was not realised, the creditor lost cent. per cent. of his principal together with interest thereon and the costs of the suit.

(II) Even if the decreed amount was fully recovered, the interest realised is nil.

II.—Case No. 48 of 1928.—Ladhuram and others *versus* Dinder Khan, Annu Khan and others.

A. FACTS.—1. Loan advanced on the 30th May 1923, Rs. 54. Interest at 37·5 per cent. per annum was agreed to in the bond.

2. The total amount said to be due up to 23rd November 1927 was Rs. 114-11. The amount said to have been recovered before filing the suit was Rs. 6-11. The amount claimed was Rs. 108.

3. (a) The suit was contested but a decree was awarded on the 27th March 1928 for Rs. 108 with costs amounting to Rs. 18-8.

(b) The terms of the decree were that the judgment-debtor should pay this amount in three annual instalments, and that if he failed to pay even one instalment on due date he shall have to pay the full amount at once.

(c) Interest after the decree was to be paid at the rate of $4\frac{1}{2}$ per cent. per annum only if the judgment-debtor failed to pay the instalments on due date.

5. No execution application has yet been made.

B. CONCLUSION.—(I) If the creditor has failed to recover the decretal amount, the creditor lost his principal together with interest thereon and the costs of the suit.

(II) Assuming that the total decretal amount was realised in accordance with the terms of the decree, the rate of interest realised is 18·7 per cent. per annum, though the stipulated rate was 37 per cent. per annum.

III.—Rishi Karan *versus* Gokal.

- A. FACTS.**—1. The loan advanced on the 24th December 1924 was Rs. 15. The rate of interest agreed to in the Khata was 15 per cent. per annum. Interest from the 24th December 1924 to 19th December 1927 was Rs. 6-11.
2. Total amount said to be due was Rs. 21-11. The amount said to have been recovered before filing the suit was Re. 1-11. The amount claimed was Rs. 20.
3. The suit was contested but a decree was awarded on the 6th February 1928 for Rs. 20, with costs amounting to Rs. 5.
4. An execution application was made on the 17th September 1928, but no recovery was made.

- B. CONCLUSION.**—(I) If the plaintiff has failed to recover any amount after the last execution application, he has lost cent. per cent. of his principal as well as interest.
- (II) Even assuming that the total decretal amount was realised in full immediately after the last execution application, the rate of interest realised is 12·1 per cent. per annum against the stipulated rate of 15 per cent. per annum.

IV.—Case No. 51 of 1928.—Milapchand, Madanlal *versus* Pertab.

- A. FACTS.**—1. The loan advanced on the 29th January 1922 was Rs. 99. The rate of interest agreed to in the bond was 15 per cent. per annum. Interest from the 29th January 1922 to the 12th December 1927 was Rs. 87.
2. Total amount said to be due was Rs. 186. The amount stated to have been recovered before filing the suit was *nil*. Total amount claimed was Rs. 186.
3. The suit was contested but the decree was granted on the 13th March 1928 for Rs. 186 with costs amounting to Rs. 40-6, total amount decreed being Rs. 226-6. No interest was awarded by the Court from the date of decree.
4. Due to execution application No. 1552, dated the 17th March 1928, the amount recovered on the 30th October 1928 was Rs. 15 only.
- B. CONCLUSION.**—(I) If the plaintiff has failed to recover any amount after the date of last recovery of

Rs. 15 only, he has lost 84 per cent. of his principal as well as the interest thereon and the costs incurred on the suit.

- (II) Even assuming that the total decretal amount was realised in full one year after the date of the last recovery, the rate of interest realised is 11.2 per cent. per annum while the stipulated rate is 15 per cent. per annum.

V.—Case No. 225 of 1928.—Behari Lal *versus* Moti.

- A. FACTS.**—1. The loan advanced on the 2nd January 1925 was Rs. 202-1. The stipulated rate of interest was 15 per cent. per annum. Interest from 2nd January 1925 to 3rd January 1928 was Rs. 72-12.
2. The total amount said to be due was Rs. 274-13. The amount said to be recovered before filing the suit was Rs. 44. The amount waived was As. 13. The amount claimed was Rs. 230.
3. The suit ended in a compromise decree on the 30th January 1928 for Rs. 230 with costs amounting to Rs. 29-2, payable in half-yearly instalments of Rs. 35, with a proviso that failure to pay three consecutive instalments on due dates made the debtor liable to pay the full amount at a time in lump sum with costs. The rate of interest allowed by the court from the date of failure was 6 per cent. per annum. No interest was payable from the date of decree, if instalments were paid regularly.
4. No execution application has so far been made.

B. CONCLUSION.—(I) Assuming that the plaintiff has failed to recover any portion of the amount after the decree was passed, the creditor has lost 75 per cent. of his principal, the interest granted by the court and the cost incurred on the suit.

- (II) Even assuming that the defendant has been paying all the instalments regularly and that the plaintiff was able to recover the amount in full, the rate of interest realised on the principal and costs is less than 7 per cent. per annum, while the stipulated rate is 15 per cent.

VI.—Case No. 25 of 1928.—Gulabchand *versus* Nanga.

- A. FACTS.**—1. The loan advanced on the 31st August 1926 was Rs. 18-12. The stipulated rate of interest was 21

per cent. per annum. Interest from the 31st August 1926 to the 17th December 1927 was Rs. 5-1-6.

2. Total amount said to be due was Rs. 23-13-6. The amount stated to have been recovered before filing the suit was Rs. 3-13-6. The amount claimed was Rs. 20.
3. A decree was given on 18th January 1928 for Rs. 20 with costs amounting to Rs. 4-7 to be paid in half-yearly instalments; failing to pay even one instalment on the due date made the debtor liable to pay the whole amount in lump sum.
4. No further interest was granted by the court.
5. As a result of execution application No. 3030 of 1928, dated the 29th May 1928. Rs. 25 were recovered on the 14th August 1928.

B. CONCLUSION.—The creditor was able to realise 13·8 per cent. per annum on account of interest while the stipulated rate of interest was 21 per cent. per annum.

VII.—Case No. 18 of 1928.—Ghisalal *versus* Chanda.

- A. FACTS.**—1. The loan advanced on 16th October 1926 was Rs. 11. The stipulated rate of interest was As. 12 per rupee (*faslana*), i.e., 25 per cent. per annum. Interest from 16th May 1927 to 8th December 1927 was estimated at Rs. 4-2.
2. Total amount said to be due was Rs. 15-2. The amount recovered before filing the suit was As. 2. The amount claimed was Rs. 15.
 3. The suit ended in a compromise decree on the 19th January 1928 for Rs. 10-3-6 with proportionate costs.
 4. No execution application has so far been made.

B. CONCLUSION.—(I) If the creditor has failed to realise the decretal amount, he has lost cent. per cent. of his principal, the interest and the costs incurred on the case.

(II) Even assuming that the creditor was able to realise the decretal amount in full, the creditor has lost 7 per cent. of his capital, together with the interest due on his principal.

VIII.—Case No. 22 of 1928.—Deokaran *versus* Sheola.

- A. FACTS.**—1. The loan advanced on the 10th October 1925 was Rs. 8. The stipulated rate of interest was 18·75 per

cent. per annum. Interest from 10th October 1925 to 17th December 1927 was estimated at Rs. 3-4-3. Notice fee was As. 2-6.

2. The total amount stated to be due was Rs. 11-6-9. The amount recovered before filing the suit was Re. 1-6-9. The amount claimed was Rs. 10.
3. The suit ended in a compromise decree on 16th January 1928 for Rs. 7 with costs amounting to Re. 1. The terms of the decree were that the judgment-debtor should pay the amount in two monthly instalments of Rs. 4 each, but in case of failure to pay even one instalment on due date, the debtor shall have to pay the full amount in a lump sum.
4. No interest on the decreed amount was allowed in case the instalments were paid in time, but in case of failure to do so, further interest at 18.75 per cent. per annum was payable from the date of failure.
5. Due to execution application No. 451f, dated the 27th September 1928, Rs. 11 were recovered on 10th January 1929.

B. CONCLUSION.—The interest realised by the plaintiff is 9.3 per cent. per annum against the stipulated rate of 18.75 per cent. per annum.

IX.—Case No. 216 of 1928.—*Gordhan versus Ghisa.*

- A. FACTS.**—1. The loan advanced on the 12th May 1927 was Rs. 100. The rate of interest agreed to in the bond is 15 per cent. per annum. Interest from 12th May 1927 to 16th January 1928 amounted to Rs. 10-2.
2. The total amount said to be due was estimated at Rs. 110-2. The amount stated to have been recovered before filing the suit was As. 2. The amount claimed was Rs. 110.
 3. The suit ended in a compromise decree on the 10th February 1928 for Rs. 110 with costs amounting to Rs. 17-14 payable in half-yearly instalments of Rs. 35 each, but in case of failure to pay two consecutive instalments on the due dates, the debtor should pay the full amount at a time in lump sum with costs. Interest was allowed at 4½ per cent. per annum from the 10th of February 1928.
 4. As the result of execution application No. 427, dated 12th February 1929, Rs. 24 were recovered on 25th February 1929.

B. CONCLUSION.—(I) If no amount was recovered by the plaintiff after the date of the last recovery, the creditor last 75 per cent. of his capital, together

with the interest and costs incurred on the suit.

- (II) Even assuming that the plaintiff was able to realise the decretal amount in full immediately after the date of the last recovery, the rate of interest realised is 7·9 per cent. per annum while the stipulated rate of interest is 15 per cent. per annum.

X.—Kanhiya Lal versus Kajamar, Defendant.

- A. FACTS.**—1. The plaint was presented on the 28th October 1918. Defendant on 25th December 1915 struck a balance of Rs. 49-8 in the account book of the plaintiff which carried interest at the rate of 1 per cent. per mensem. Thereafter he took Rs. 2 on the 27th January 1916 and Rs. 2-8 on the 17th March 1916, and these sums were debited to his account.
2. A suit was brought for recovery of Rs. 54 principal plus Rs. 18-14-6 interest; total Rs. 72-14-6. Nothing was repaid during the interval.
3. An *ex parte* decree was granted for Rs. 72-14-6 plus Rs. 10-10 on account of costs, total Rs. 83-8-6 on the 26th May 1919. No interest was awarded after the date of decree.
4. *Infructuous execution applications.*—First execution application was presented on the 23rd March 1921 for recovery of Rs. 83-8-6. This was filed in default of the decree-holder on the 3rd October 1921. On the 18th November 1922 another application for execution was filed for recovery of the whole decretal amount. This was also filed on the 21st February 1923 in the absence of both parties. On the 1st October 1924 a third application was put in for recovery of the decretal amount. This application was dismissed in default of the decree-holder.

B. CONCLUSION.—(I) Assuming that no amount was realised after the last execution application, the plaintiff has lost his principal, the interest accrued, and the costs incurred on the suit.

- (II) The rate of interest calculated on the assumption that the decretal amount was fully recovered by the creditor immediately after the last execution application is 4 per cent. per annum against 12 per cent. per annum the stipulated rate of interest.

XI.—Chuni Lal versus Phandu.

- A. FACTS.**—1. The plaint was presented on 12th October 1918. On 12th October 1912 the defendant executed a bond

to the effect that he owed Rs. 199-8 to the plaintiff. The stipulated rate of interest was $1\frac{1}{2}$ per cent. per mensem and in return he mortgaged about 7 animals. Nothing was paid in the interval. A suit was brought on 12th October 1918 for recovery of Rs. 199.

2. An *ex parte* decree was granted on 10th January 1919 for Rs. 199 principal, plus Rs. 16-4 costs, total Rs. 215-4, to be payable by monthly instalments of Rs. 15 each. No future interest was awarded by the court after the date of the decree if there was default in regular payment of instalments.
3. On the 16th May 1919 an application for the recovery of the first instalment was made. On 2nd July 1919 Rs. 6 were recovered. On the 1st October 1919 another application was made for recovery of the balance of Rs. 9-5 on account of the first instalment. On the 9th of January 1920 Rs. 1-12 were recovered. On the 1st of October 1920 another application was made for recovery of 3 instalments of Rs. 45-14 out of which Rs. 7-12 had already been recovered, and the balance outstanding was Rs. 38-2. This was filed as infructuous on the 19th November 1920.

B. CONCLUSION.—(I) If the plaintiff was unable to realise the decretal amount, he lost 96 per cent. of his capital, together with the interest and the costs of the suit.

(II) Even supposing that the creditor was able to realise the full decretal amount, he got no interest.

XII.—Padhamal *versus* Lachhman.

- A. FACTS.**—1. The plaint was presented on the 11th November 1918. The defendant purchased a she-buffalo on the 16th December 1915 and made an entry to that effect in the account book of the plaintiff. The buffalo was purchased for Rs. 31-10 and the rate of interest agreed to was 18 per cent. per annum. Defendant paid only Re. 1-8 in the interval.
2. A suit was brought for the recovery of Rs. 30-2 principal plus Rs. 16-4 interest for 36 months. The court on the 5th September 1919 granted an *ex parte* decree for Rs. 30-2 principal plus Rs. 10-14 interest plus Rs. 6 costs, total Rs. 47. No future interest was allowed after the date of the decree. The first execution application was made on the 28th July 1920. This application was dismissed in default of the decree-holder on the 27th April 1921.

Another application was made on the 9th December 1921. This was also dismissed in default on the 30th March 1922. The third application for execution was made on the 19th October 1922. This also met with the same fate on the 28th June 1922.

- B. CONCLUSION.**—(I) If the creditor was unable to realise the decretal amount, he lost his entire capital, together with the interest accrued thereon and costs of the suit.
- (II) Even supposing that the creditor was able to recover the decretal amount immediately after the last execution application, the rate of interest realised by him is 5·3 per cent. per annum against the stipulated rate of 18 per cent. per annum.

XIII.—Kaliyan Mal versus Karja.

- A. FACTS.**—1. The plaint was presented on the 21st November 1918. The claim was based on a bond for Rs. 48, dated the 27th November 1915. The terms of the repayment were that Rs. 8 per month would be paid. In case of default of an instalment, interest at the rate of one anna per rupee for the unpaid instalment was to be charged. In case of failure to pay two instalments continuously, interest at the rate of one anna per rupee per month on the whole amount was payable till the whole amount was repaid. On the 16th January 1916 Rs. 12 were paid, and again on the 12th March 1916 Rs. 12 were paid. Thereafter nothing was paid. In the plaint interest was calculated at the rate of 6 pies per rupee per month and a claim was made for recovery of Rs. 44-11, *i.e.*, Rs. 24 principal *plus* Rs. 20-7-6 interest *plus* As. 3-6 on account of the cost of notice (total Rs. 44-11).
2. An *ex parte* decree was granted on the 12th May 1919 for Rs. 24 principal *plus* Rs. 20-7-6 interest *plus* Rs. 7-6 cost, total Rs. 51-13-6 payable in two six-monthly instalments. No future interest was awarded, (not even in case of default in the payment of instalments).
4. The first execution application was put in on the 1st December 1919 for the recovery of the first instalment of Rs. 25-14-9. This application was dismissed in default of the decree-holder on the 29th April 1920. The decree-holder again made an application for the recovery of the whole, Rs. 51-13-6 *plus* costs, total Rs. 53-14 on the 7th May 1920. This application was filed on the 10th January 1921 as infruc-

tuous. The third application for execution was made on the 27th May 1923. Another application made on the 10th January 1925 was infructuous as the decree-holder did not want to proceed against the judgment-debtor at that time.

- B. CONCLUSION.—**(I) If the decretal amount was not realised, as the decree-holder did not want to proceed against the judgment-debtor, the creditor has lost his entire capital, together with the interest accrued thereon and costs incurred on the suit.
- (II) Even assuming that the plaintiff was able to realise from the debtor the full amount decreed, immediately after the last execution application, the rate of interest realised by the creditor will be 9·3 per cent. per annum, while the stipulated rate of interest is 7·5 per cent. per annum.

XIV.—L. Harparshad versus Nazru Khan.

- A. FACTS.—**1. The plaint was presented on the 19th November 1918. On the 19th November 1915 the plaintiff advanced Rs. 26 on a bond carrying interest at As. 8·6 per cent. per mensem. The terms of the bond were that if the defendant failed to pay interest monthly, he would have to pay at the higher rate of 1 per cent. per mensem, and if he failed to pay the entire amount of principal on due date, he would have to pay double the amount. Against the amount advanced he mortgaged two bullocks and a cow. Accordingly on the failure of the defendant to pay any interest and the principal on the due date, a suit for Rs. 52 was filed according to the terms of the agreement.
2. The court granted on the 28th March 1919 a consent decree for Rs. 52 *plus* Rs. 6·2 on account of costs, total Rs. 58·2 without any interest after the date of the decree.
3. On the 10th May 1919 the first application for the recovery of the decretal amount was made; and on the 22nd October 1919 Rs. 19 were recovered. On the 2nd January 1920 another execution application was made for recovery. On the 20th February 1920 another Rs. 10 were recovered. On the 23rd February 1920 a third application for recovery was made; and on the 12th February 1921 another Rs. 10 were recovered. On the 3rd February 1922 another application was made for recovery, but this application

was dismissed in default on the 15th July 1922. On the 18th July 1922 another application was made for recovery; and on the 19th March 1923 Rs. 12-8 were recovered. On the 1st February 1924 another application was made, and further Rs. 10 were recovered on the 17th May 1924. The cost of all the execution proceedings amounted to Rs. 3-6.

B. CONCLUSION.—The rate of interest realised by the creditor on his investment (principal and costs) comes to 13·7 per cent. per annum against the stipulated rate of interest of 100 per cent., according to the terms of the bond.

XV.—Duni Mal, plaintiff *versus* Maru Khan, defendant.

- A. FACTS.**—1. The plaint was presented on the 21st November 1918. Rs. 18 were advanced on a bond, dated the 14th July 1915. The rate of interest agreed upon was annas 2 per rupee per month with a promise to repay the whole amount with interest was repayable in November 1915. Nothing was repaid, and a claim for the recovery of Rs. 35 after calculating interest at the rate of Rs. 3-2 per cent. per mensem was brought, and Rs. 3-4 were relinquished.
2. An *ex parte* decree was passed on the 8th January 1919 for Rs. 35 *plus* Rs. 4-2 on account of costs, total Rs. 39-2. Full interest up to the date of institution of the legal proceeding was awarded. No interest was awarded after the date of the decree.
3. Execution application was presented on the 20th March 1919 for the recovery of Rs. 39-2. This application for execution was filed as infructuous, on the 29th May 1919. Nine annas on account of costs were added to the decretal amount. On the 1st of October 1919 the second application for execution of decree was put in for recovery of Rs. 39-11. On the 15th April 1920 this application was filed on part satisfaction of the claim on payment of Rs. 4 to the decree-holder. On the 9th November 1922 a third application was made for recovery. The application stated that plaintiff had recovered Rs. 20 in all up to the time of the application and the balance claimed was Rs. 19-11-0.

(*NOTE.*—It appears that Rs. 16 were recovered privately in addition to Rs. 4 recovered through court on the previous application.)

This application was filed in default of the decree-holder. On the 21st of April 1923 another application was made for the recovery of Rs. 15-13. It

stated that Rs. 24 in all had been recovered. It was filed on failure to effect attachment on the 29th of May 1923.

B. CONCLUSION.—(I) If no amount was realised after the last execution application proved infructuous, the rate of the interest realised by the creditor will be 9 per cent. per annum.

(II) Even if it is assumed that the total decretal amount was realised by the plaintiff immediately after the last execution application, the rate of interest realised was 12.1 per cent. per annum while the stipulated rate of interest was 150 per cent. per annum.

XVI.—Bhagwan Das *versus* Himta and two others.

A. FACTS.—1. The plaint was presented on 21st November 1918.

(a) Rs. 99 were advanced on a bond on 24th January 1915. The rate of interest agreed upon was 2 per cent. per month with a promise to repay the whole amount in a lump sum in 1918.

(b) Nothing was repaid. The claim was for Rs. 171-4, out of which Re. 1-4 were relinquished, and the suit was brought for recovery of Rs. 170.

2. A consent decree was granted by the court for Rs. 170 *plus* Rs. 13-4 costs, total Rs. 188-4 with interest at 6 per cent. per annum from the date of decree till realisation. The decretal amount was ordered to be paid by instalments of Rs. 25 each at each harvest.

3. On June 7, 1921, an application for execution was put in for recovery of Rs. 153-4, Rs. 36-1 having been recovered on the 5th February 1920. The application was filed on the 16th July 1921 for failure on the part of the decree-holder to appear in court on the date fixed. After that no application for execution seems to have been made.

B. CONCLUSION.—(I) If no amount was realised after the last application for execution was filed, the creditor has lost 63 per cent. of his capital, together with interest and the costs incurred on the suit.

(II) Even supposing that the plaintiff was able to realise the amount shown in the last execution application, the rate of interest realised is 12.3 per cent. per annum against 24 per cent. per annum, the stipulated rate.

NORTH-WEST FRONTIER PROVINCE.

I.—Case No. 1119 of 1923.—Jairam *versus* Khanizaman.

A. FACTS.—1. The plaintiff is a resident of Nawa Shahr, Tehsil Abbottabad and the defendant is a resident of Mansehra.

2. The plaint was presented on the 26th November 1923.

(a) On 26th November 1920 the defendant struck a balance in the account book of the plaintiff and admitted that he owed Rs. 130 to the plaintiff and promised to pay two “kurh” of wheat at the harvest as interest and two “kurh” of maize at the maize harvest every year.

(b) Nothing was paid on account of either principal or interest.

(c) Accordingly plaintiff calculated interest at the rate of 195 *Odhis* of wheat and 195 *Odhis* of maize, both valued at Rs. 161-8 *plus* Rs. 130 on account of principal, the total amounting to Rs. 291-8. Of this Rs. 41-8 were relinquished and a suit was brought for Rs. 250.

3. An *ex parte* decree was passed on the 16th of August 1924 for Rs. 202 *plus* Rs. 35-2 on account of costs. No further interest was allowed.

4. (a) The decree-holder applied for execution of the decree on the 1st September 1927. It was filed as infructuous at the request of the decree-holder on the 10th October 1927.

B. CONCLUSION.—(I) If the decree-holder failed to realise any amount, he lost his capital, interest thereon and the costs of the suit.

(II) Assuming that the whole amount was recovered in full on the 10th of October 1927, the plaintiff realised on the amount invested by him as principal and costs, interest at the rate of only 7 per cent. per annum.

II.—Case No. 1173.—Jawahir *versus* Bostan.

A. FACTS.—1. Both of them are residents of Nawashahr.

2. The plaint was presented on the 9th December 1924.

(a) On the 8th April 1921 the defendant took 9 maunds 20 seers of potatoes from the plaintiff and executed a bond on that account in the

latter's favour agreeing to pay one-and-a-half times the quantity of potatoes from his harvest. If he failed to do so, he should pay Rs. 95 on account of the price of potatoes *plus* interest in 285 *Odhis* of maize.

- (b) Nothing was paid. According to the plaintiff Rs. 95 on account of interest *plus* Rs. 95 on account of 285 *Odhis* of maize, total Rs. 190 were due to him.
 - (c) Rs. 90 were relinquished and a suit was brought for Rs. 100.
3. A decree for Rs. 75 *plus* Rs. 11-12 on account of costs was passed in plaintiff's favour on the 13th February 1925.
 4. (a) An execution application was presented on the 22nd September 1925.
 - (b) On the 1st of November 1925 the execution decree was satisfied in full, the decree-holder getting a receipt for Rs. 78 from Jamdali and Inayatullah, the sureties of the judgment-debtor, in full satisfaction of his claim.

B. CONCLUSION.—The plaintiff gave to the defendant potatoes worth Rs. 95 on the understanding that he would get interest in 285 *Odhis* of maize, he spent Rs. 11-12 on account of costs. He received in return a note for Rs. 78 from sureties in full satisfaction of his claim. It means that the plaintiff lost Rs. 28-12 in the bargain. According to the contract, the stipulated rate of interest was 50 per cent. for one season.

III.—Case No. 138.—Rup Chand Shah *versus* Ghazi.

Plaintiff resident of Nawashahr and defendant of Pat Kank.

- A. FACTS.**—1. The plaint was presented on the 9th February 1925.
- (a) On 9th February 1922 the defendant struck a balance in the account book of the plaintiff for Rs. 50-3-6 as due by him.
 - (b) Interest was calculated on it which amounted to Rs. 42-3 up to the date of institution of the suit thus making a total of Rs. 92-6-6. Of this sum Rs. 17-6-6 were relinquished and a claim for Rs. 75 was brought.
2. (a) An *ex parte* decree was passed for Rs. 75 *plus* Rs. 5-15 on account of costs on the 23rd April 1925.

(b) No future interest was awarded.

3. (a) An execution application was made on the 19th April 1928. It was filed as infructuous at the request of the decree-holder, on the 17th May 1928. No further application seems to have been made subsequently.

B. CONCLUSION.—(I) The plaintiff received a sum of Rs. 24-12-6 as interest for 6 years and 3 months on Rs. 50-3-6. Assuming that the full amount was recovered out of court on the 17th May 1928, the rate of interest comes to 7·8 per cent. per annum while the rate of interest stipulated was 28 per cent. per annum.

(II) Assuming that the decree-holder could not realise the amount of the decree, the creditor lost his principal, the interest and the costs of the suit.

IV.—Case No. 310.—Ramji Das versus Asghar Khan.

A. FACTS.—1. The plaintiff is a resident of Peshawar city and the defendant of village Ali Razi.

2. The plaint was presented on the 14th March 1921.

(a) On 24th September 1917 the defendant executed a bond for Rs. 50 received in cash from the plaintiff and agreed to repay the amount within six months without any interest. It was further stipulated that if the money was not repaid within the specified period, the defendant agreed to pay interest at the rate of 6 pies per rupee per month from the date of default till repayment.

(b) Accordingly interest was calculated from the 24th March 1918 at the stipulated rate for 35 months 20 days, which amounted to Rs. 55-12.

(c) As. 2-3 on account of cost of notice was also included.

(d) Finally a claim was brought in for the recovery of Rs. 50 principal, plus Rs. 55-12 interest plus As. 2-3 on account of the cost of notice, total Rs. 105-14-3.

3. An *ex parte* decree was passed on 25th May 1921 for Rs. 105 plus costs Rs. 9-4. No future interest was allowed after the date of decree.

4. (a) On the 24th June 1921 the decree-holder applied for satisfaction of his decree by imprisonment of the judgment-debtor in the civil jail. The warrant could not be served on the judgment-debtor and the application was filed as infructuous on 22nd December 1921.
- (b) On the 2nd April 1924 the decree-holder again applied for execution of his decree. This application was filed in default of the decree-holder on the 9th May 1924.
- (c) On the 6th January 1925 the decree-holder again applied for execution of his decree. This application was filed as infructuous on the 12th March 1925 according to the wishes of the decree-holder.
- (d) On 11th August 1927 the decree-holder made another application for execution of his decree. This application was also filed as infructuous as desired by the decree-holder on the 21st of December 1927.

- B. CONCLUSION.**—(I) The rate of realised interest comes to 10·9 per cent., presuming that the whole sum was paid in full on the 21st December 1927, while the stipulated rate of interest was 6 pies per rupee per month or 37·5 per cent. per annum.
- (II) Assuming that the decree-holder could not realise the decreed amount, he lost his principal, the interest thereon and the costs of the suit.

V.—No. 569.—Firm Amir Singh Kanhiya Sing *versus* Sahib Alam.

- A. FACTS.**—1. The plaintiff is a resident of Peshawar City and the defendant of Landi.
2. The plaint was presented on the 13th June 1928.
- (a) On 5th April 1925 the defendant executed a bond for Rs. 84 received in cash from the plaintiff and promised to repay the amount in the month of June 1927. It was further agreed that if the defendant failed to pay the amount on the due date, he would be liable to pay interest at the rate of $1\frac{1}{2}$ per cent. per mensem or 18 per cent. per annum.
- (b) Nothing was paid by the defendant.
- (c) Accordingly interest at the stipulated rate on the principal was calculated which amounted to

Rs. 47 up to the date of the institution of the suit. Both the principal and interest amounted to Rs. 131, of which Re. 1 was relinquished and a suit was brought for recovery of Rs. 130 only.

3. (a) A decree was passed on the 29th October 1928 in plaintiff's favour for Rs. 130 *plus* Rs. 24-10 on account of costs.
 - (b) No interest was awarded after the date of the decree.
4. (a) An execution application was made on the 3rd of November 1928.
 - (b) On the 6th February 1929 the parties compromised in this way that Rs. 50 were paid in cash to the plaintiff, and as regards the balance the judgment-debtor agreed to pay half of the balance within three months and the remaining half after 7 months. In case of default the whole outstanding debt would be recoverable in one lump sum.
 - (c) On the 11th July 1929 the decree-holder applied for recovery of the outstanding Rs. 108-10 (including costs of execution). On the 11th November 1929 the decree-holder recovered Rs. 112 and the application was satisfied in full.

B. CONCLUSION.—The plaintiff received Rs. 46 as interest for 4 years 7 months on Rs. 84. The rate of interest works out to 11.9 per cent. per annum while the stipulated rate of interest was $1\frac{1}{2}$ per cent. per mensem or 18 per cent. per annum.

VI.—No. 1342.—Kanshi Ram *versus* Sher Khan and Alif Khan.

A. FACTS.—1. The plaintiff is a resident of Peshawar City and the defendants of village Ahmad Khel.

2. The plaint was presented on the 23rd November 1928.

- (a) On 1st August 1926 the defendants executed a bond for Rs. 60 received in cash from the plaintiff and promised to pay interest at the rate of $2\frac{1}{2}$ per cent. per mensem or 30 per cent. per annum.
- (b) Nothing was paid and interest was calculated on the principal at the stipulated rate which amounted to Rs. 41-8 and a claim for recovery

of Rs. 100, after relinquishing Re. 1-8, was brought in.

3. (a) A decree for Rs. 100 *plus* costs Rs. 20-4 was passed in plaintiff's favour on the 24th January 1929.
- (b) No interest was allowed after the date of the decree.
4. (a) An application for execution was made on the 12th April 1929, which was filed in default on the 16th May 1929.
- (b) Another application was made on 18th of October 1929 and this also was filed as infructuous on the 18th of January 1930.

- B. CONCLUSION.**—(I) Presuming that the whole amount was recovered in full on the 18th January 1930 the plaintiff received Rs. 40 as interest for 3 years and $4\frac{1}{2}$ months on Rs. 60. The rate of interest works out to 19.7 per cent. per annum, while the stipulated rate of interest was $2\frac{1}{2}$ per cent. per month, or 30 per cent. per annum.
- (II) If he failed to recover the decretal amount the plaintiff lost his entire capital, together with the interest thereon and the costs of the suit.

VI.—No. 1306.—Firm Balmokand *versus* Fasihullah.

- A. FACTS.**—1. The plaintiff is a resident of Peshawar and the defendant of village Nahqi.
2. The plaint was presented on the 13th November 1928.
- (a) On the 23rd of November 1925 the defendant executed a bond for Rs. 60 in favour of the plaintiff and promised to repay the amount by the 29th December 1925; in case of default he agreed to pay interest at the rate of 2 per cent. per mensem or 24 per cent. per annum.
 - (b) Out of the principal Rs. 42 were received.
 - (c) According to the plaintiff Rs. 18 on account of principal and Rs. 13 on account of interest on the above Rs. 18 for three years amounts to Rs. 31. Of this Re. 1 was relinquished and a suit for recovery of Rs. 30 was filed in.
3. (a) An *ex parte* decree was granted on the 19th December 1928 for Rs. 30 *plus* Rs. 6-8 costs.

(b) No interest was allowed after the date of the decree.

4. On the 12th of January 1929 the plaintiff applied for execution of his decree. This application was filed as infructuous at the request of the decree-holder on 12th March 1929. No further application was made.

B. CONCLUSION.—(I) The rate of interest realised on the total investment (principal plus costs) works out to 19·5 per cent. per annum, if the whole amount was recovered out of court on the 13th March 1929, while the stipulated rate of interest was 2 per cent. per month or 24 per cent. per annum.

(II) If the decree-holder failed to recover the decretal amount, he lost 30 per cent. of his capital together with the interest on the principal and the costs of the suit.

VII.—No. 197 of 1917.—Hukam Chand versus Farid Isa Khan, and Musa Khan.

A. FACTS.—1. The plaint was presented on the 3rd February 1917.

(a) On 20th August 1914 one Mohd. Sharif Khan, whose reversioners are the present defendants, executed a bond for Rs. 350 on account of three previous bonds (the previous bonds were not on the file) and promised to repay the debt in two instalments as follows:—

Rs. 200 payable on the 13th March 1915.
Rs. 150 payable on the 15th September 1915.
In the case of non-payment of any one of the instalments, Mohd. Sharif promised that interest will be paid at the rate of $1\frac{1}{4}$ per cent. per mensem on the amount of the unpaid instalment from the date when the instalment fell due as well as on the remaining principal. The principal and interest would be payable on demand.

(b) None of the instalments was paid, and interest was calculated at the above stipulated rate on the principal. This amounted to Rs. 82-8.

(c) Accordingly a suit was brought for Rs. 350 principal plus Rs. 82-8, total Rs. 432-8.

2. (a) An *ex parte* decree was passed on the 10th March 1917 for Rs. 432-8 plus costs amounting to Rs. 35-8.

(b) No interest was awarded after the date of the decree.

- 3 (a) On the 22nd March 1917 the decree-holder applied for execution of the decree and prayed for recovery of the amount decreed *plus* costs by sale of the house property belonging to the deceased debtor.
- (b) On the 4th October 1917 the decree-holder purchased the house property of the debtor for Rs. 490. Out of this sum Rs. 24-8 on account of Government's auction commission were credited to the treasury and in lieu of the balance Rs. 465-8, the decree-holder filed a receipt in court in full satisfaction of his claim amounting to Rs. 468. The decree-holder could not, however, get possession of the five houses sold to him till the 23rd November 1918, when he was delivered possession of the houses formally through the court.

B. CONCLUSION.—The plaintiff received Rs. 80 as interest for 4 years and three months on Rs. 350. The rate of interest up to the date of full payment, i.e., the 23rd November 1928, comes to Rs. 53 per cent. per annum while the stipulated rate of interest was 15 per cent. This leaves out of account altogether the loss of interest on Rs. 35-8 incurred on costs from 3rd February 1917 to 23rd November 1918.

VIII.—No. 202 of 1925.—Fida Mohd. *versus* Ishaq.

A. FACTS.—1. The plaint presented on 17th February 1925.

- (a) On the 29th November 1920 the defendant executed a bond for Rs. 170 received in cash from the plaintiff and promised to deliver 34 maunds of *Gur* in return for this amount on the 1st December 1921. He further agreed that if he failed to deliver the stipulated quantity of *Gur* on the due date, he would either deliver 40 maunds of *Gur* or the price of 40 maunds according to the market rate prevailing on the 28th February 1922.
- (b) The *Gur* was not delivered on the due date, and consequently the plaintiff brought a claim for the price of 40 maunds of *Gur* at the rate of Rs. 8 per maund, total Rs. 320.
2. (a) An *ex parte* decree was passed on the 26th March 1925, for Rs. 261-13 *plus* proportionate costs, i.e., Rs. 33-6.
- (b) No interest was allowed after the date of the decree.

3. (a) On the 2nd May 1925 the plaintiff applied for execution of his decree by attachment of the wheat and barley crops of the defendant. This application was filed on the 22nd May 1925 as desired by the decree-holder.
- (b) Again on the 4th January 1926 the decree-holder applied for execution by imprisonment of the judgment-debtor in the civil jail. Again it was filed as infructuous on 16th June 1926 at the request of the decree-holder.
- (c) On the 15th November 1926 the decree-holder again applied for execution of his decree and prayed that satisfaction be effected by attachment of the sugarcane crop of the defendant. On the 14th April 1927, only Rs. 20 were recovered and the application was filed as satisfied in part. No further application has so far been made.

B. CONCLUSION.—(I) The rate of interest realised on the investment (principal and costs) works out to 7·9 per cent. per annum, assuming that the whole amount was recovered out of court on the 15th April 1927.

(II) Assuming that the plaintiff failed to recover any amount after the last execution application, he lost 88·2 per cent. of his principal together with interest thereon and the costs of the suit.

IX.—No. 805 of 1926.—Atta Muhd., plaintiff *versus* Muhibulhaq and others.

A. FACTS.—1. The plaint was presented on the 9th October 1926.

- (a) On the 24th October 1922 the defendants executed a bond for Rs. 222 received in cash from the plaintiff and promised to supply to the plaintiff 44 maunds 16 seers of *Gur* in return for this amount on the 1st December 1923. It was further agreed that if the defendants failed to supply the stipulated quantity of *Gur* on the due date, they would deliver 55 maunds 20 seers of *Gur* or the price of that quantity as prevailing on the 29th February 1924.
- (b) The *Gur* was not supplied on the due date and accordingly a claim for recovery of Rs. 500 on account of the price of 55 maunds 20 seers according to the prevailing rate on the 29th February 1924, *i.e.*, Rs. 10 per maund was brought after relinquishing Rs. 55.

2. (a) An *ex parte* decree was passed on the 16th November 1926 for Rs. 500 *plus* Rs. 67-12 on account of costs.
- (b) No interest was awarded after the date of the decree.
3. (a) The first application was made for execution of decree on the 20th November 1926. This application was filed in default of the decree-holder on 23rd May 1927. An application was made for its restoration, but it was rejected also on the 22nd January 1929.
- (b) No further application was made.

B. CONCLUSION.—(I) Presuming that the whole amount was received out of the court on the 23rd January 1929 the plaintiff received Rs. 278 as interest for $6\frac{1}{4}$ years on Rs. 222 and for 2 years and $3\frac{1}{2}$ months on Rs. 67-12 (costs). The rate of interest realised comes to 18 per cent. per annum, while the stipulated rate of interest was more than 50 per cent.

(II) Assuming that the plaintiff failed to recover the amount after the last execution application, he lost his capital, the interest thereon and the costs of the suit.

X.—No. 527 of 1928.—Nirmal Singh, plaintiff, *versus* Mohd Umar Khan.

A. FACTS.—1. The plaint was presented on the 28th November 1918.

- (a) On the 29th May 1915 defendant executed a bond in favour of the plaintiff for Rs. 256 as per detail below:—
Rs. 200 on account of a previous bond, dated the 30th May 1912. Rs. 56 paid in cash.
- (b) Interest at the rate of $1\frac{1}{2}$ per cent. per mensem was agreed upon. It was further agreed to repay the amount within six months.
- (c) Nothing was paid. Interest at the agreed rate from 29th May 1915 to 28th May 1918 amounted to Rs. 54 and a suit was brought for recovery of Rs. 310.
3. (a) An *ex parte* decree was passed on the 10th December 1918 for Rs. 310 *plus* Rs. 24-4 on account of costs.
- (b) No interest was allowed after the date of the decree.

4. (a) The first execution application was presented on the 2nd December 1921. This application was filed infructuous at the request of the decree-holder on the 19th January 1922.
- (b) The second application for execution was made on the 16th January 1925. It was also filed as infructuous at the request of the decree-holder on the 6th February 1925.
- (c) A third application was made on the 10th January 1928. This also met with the same fate on 11th February.
- (d) A fourth application was made for recovery of Rs. 338-12 (including costs on execution applications) on 4th May 1929. This application was filed in default of the decree-holder on 6th May 1929.
- (e) On the 8th May 1929 again the decree-holder applied for execution. This was also filed in default of the decree-holder on the 13th June 1929.
- (f) On the 10th December 1929 the decree-holder again applied for execution. This application was dismissed on account of some legal defect in the presentation of the application on 10th December 1929.

B. CONCLUSION.—(I) Assuming that the whole amount was realised out of court on the 11th December 1929, the plaintiff received Rs. 54 as interest for 14½ years on Rs. 256. The rate of interest comes to 1¼ per cent. per annum, leaving out of account altogether the loss of interest on Rs. 24-4 (costs) from the 28th November 1918 to the 10th December 1929.

(II) Assuming that the decree-holder failed to realise any amount from the judgment-debtor, he lost cent. per cent. of his capital, together with interest thereon and the costs incurred on the suit.

XI.—No. 33 of 1925.—Rupchand Shah, plaintiff *versus* Bahadur, defendant.

A. FACTS.—1. The plaint was presented on the 2nd February 1925.

- (a) On the 16th January 1922 the defendant struck a balance of Rs. 25 in the account book of the plaintiff on account of previous debt and promised to pay one *Odhi* of maize per rupee on account of interest annually. Subsequently he

purchased articles from the plaintiff worth Re. 1-13.

- (b) Nothing was paid.
 - (c) According to the plaintiff Rs. 26-13 on account of principal and Rs. 25 on account of price of 75 *Odhis*, total Rs. 51-13 were due from the defendant. Of this amount Rs. 21-13 were relinquished and a suit was brought for Rs. 30 only.
2. (a) An *ex parte* decree for Rs. 30 *plus* Rs. 3-11 on account of costs was passed on the 22nd April 1925.
- (b) No interest was awarded after the date of the decree.
3. An execution application was made on the 19th April 1928. It was filed infructuous on the 17th May 1928 at the request of the decree-holder.

- B. CONCLUSION.**—(I) Presuming that the whole decreed sum was realised on the 17th May 1928 the plaintiff received Rs. 3-3 as interest for 6 years and 4 months on Rs. 26-13. The rate of interest comes to Rs. 1-8 per cent. per annum while the stipulated rate was about 33 per cent. per annum.
- (II) Assuming that the plaintiff failed to realise the decretal amount, he lost his principal, interest and costs.

XII.—Case No. 1207 of 1924.—Hukam Chand Shah *versus* Hayat.

- A. FACTS.**—1. The plaint was presented on the 15th December 1924.
- (a) On the 4th July 1921 defendant executed a bond for Rs. 254 and promised to repay the amount in the month of January 1923, or in default of payment on the due date agreed to pay interest at the rate of 6 pies per rupee per month.
 - (b) Defendant failed to keep his promise.
 - (c) According to the plaintiff's calculation, Rs. 254 on account of principal *plus* Rs. 285-12 on account of interest for three years according to the agreed rate of interest amounted to Rs. 539-12, of which Rs. 39-12 were relinquished, and a suit was brought for recovery of Rs. 500 only.

3. (a) The parties compromised on 24th February 1925 and in accordance therewith a decree was passed as per details given below:—

Defendant agreed to pay Rs. 430 *plus* costs of the suit by instalments as follows:—

Rs. 100 payable in Maghar Sambat 1982.

Rs. 100 payable in Maghar Sambat 1983.

Rs. 100 payable in Maghar Sambat 1984.

Rs. 100 payable in Maghar Sambat 1985.

Rs. 30 payable in Maghar Sambat 1986.

The costs of the suit amounted to Rs. 60-12.

4. (a) On the 5th October 1926, the plaintiff applied for execution of his decree. This application was filed as infructuous at the request of the decree-holder on the 29th November 1926.
- (b) On the 23rd December 1927 another application was filed for execution of decree. This application was dismissed on account of the failure of the decree-holder to put in the process fee on the 7th June 1928.
- (c) On the 16th November 1928 the decree-holder again applied for execution of his decree. This application was also filed as infructuous at the request of the decree-holder, on the 10th May 1929.

B. CONCLUSION.—(I) Presuming that the whole decreed amount was recovered on the 10th May 1929 while the stipulated rate was 6 pies per rupee per month. The plaintiff received Rs. 176 for 7 years and 10 months on Rs. 254. The rate of interest comes to 8.8 per cent. per annum, while the stipulated rate was 37.5 per cent.

(II) Assuming that he failed to recover the amount, he lost his principal, interest and costs.

XIII.—No. 1181 of 1924.—Prabhdial Singh *versus* Jamaldin.

A. FACTS.—1. The plaint was presented on the 11th December 1924.

- (a) On the 12th September 1921 the defendant executed a bond in favour of the plaintiff whereby he admitted Rs. 60 as already due to the plaintiff as also 80 *Odhis* of grain and received Rs. 12 in cash and promised to pay interest in kind on both the harvests of wheat and maize at the

rate of one "Kurh" at each harvest. He further agreed to liquidate the debt in the month of January 1923.

- (b) Nothing was paid.
 - (c) According to the plaintiff's calculations Rs. 72 on account of principal and Rs. 33-5-3 on account of the price of 80 *Odhis* of wheat and maize, total Rs. 105-5-3, were due to him. To this sum were added Rs. 27 on account of interest on Rs. 72, being the price of 54 *Odhis* of wheat, and Rs. 21 on account of 63 *Odhis* of maize as interest on 80 *Odhis*; total Rs. 153-5-3. Of this Rs. 3-5-3 were relinquished and a suit was brought for recovery of Rs. 150 only.
3. (a) An *ex parte* decree was passed on the 17th February 1925 for Rs. 150 *plus* Rs. 17-14 on account of costs.
 - (b) No interest was allowed after the date of the decree.
 4. (a) An execution application was made on the 31st January 1926. On the 24th April 1926 the decree-holder gave a statement to the effect that he had obtained a fresh bond for Rs. 110 from the judgment-debtor in full satisfaction of his decree, and accordingly the application was filed as satisfied in full on the 26th June 1926.

B.—CONCLUSION.—The plaintiff received Rs. 44-10-9 for 4 years and 6 months on Rs. 105-5-3. The rate of realised interest comes to about 9½ per cent. per annum.

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