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

EVIDENCE

VOLUME IV



**CALCUTTA: GOVERNMENT OF INDIA
CENTRAL PUBLICATION BRANCH**

1930

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III.—JUBBULPORE DIVISION.

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

MR. RAMBHAROS RAO, Landholder, Honorary Magistrate and Chairman, Local Board, Patan, Jubbulpore.

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

Reply to the Questionnaire.

QUESTION 1.—In my district, i.e., in Jubbulpore, the agriculturist for expenses during cultivation, permanent land improvement and other special needs obtains financial help in loan taken from village proprietors (malguzars) professional money-lenders, merchants and dealers. Most of these professional money-lenders are banias, Punjabis and Kabulis.

Some 20 years back the malguzars generally used to lend money and seed to their tenants on large scale and were realizing the money and seed from them with ease excepting a few who had to go to court. The present generation of these malguzars have been impoverished and are themselves under debt to an extent beyond their financial state. These malguzars and big tenants are indebted to banias, specially Parwara and the petty tenants and labourers living on cultivation borrow money from merchants and dealers, Punjabis and Kabulis.

There are various rates of interest on loans taken from these money-lenders. The rate varies according to sum of loan, period for which loan taken and the position of the man who borrows. Ordinarily a man of position in my district gets money on an interest of Rs. 9 to Rs. 12 per cent per annum and even on lower rates if security given. But the needy agriculturist and poor labourers borrow money mostly from merchants and dealers and from Punjabis and Kabulis on interest of Rs. 3 to Rs. 6½ per cent per mensem. Because these poor people cannot have loans from banks and big bankers as the latter do not think safe to deal with the former. So these poor persons have to resort to their hard-hearted small capitalists and will have for ever.

My estimate is that some 50 lakhs of rupees are invested in the indigenous banking of my district.

From ancient time malguzars used to give grains in advance to the agriculturists and necessarily to their tenants which I have already said is decaying. Moreover, the failure of crops in last two successive years has badly effected and nearly crushed their system or business of grain-advance in my district. This system is known as *badhi*. The grain in advance is given under condition to return it with one-fourth more after crop-harvesting. Since two years the Government has managed to give grain to the agriculturists and it is expected that the Government will continue it for ever. At present the Government has distributed grains costing some Rs. 10 lakhs yet not sufficient to one-fourth of the seed required by the agriculturists in my district.

QUESTION 2.—Nearly all the agriculturists in my district have got bullock-carts for cultivating purposes and therefore they themselves carry their principal crops to the nearest railway station market and sell them in their own presence nowadays. Some of these agriculturists get money in advance from the agents known as *adatyas* residing in these markets and in return the agriculturists have to sell their crops through these agents or *adatyas* on moderate commission. I do not find any complaint against this transaction except where the grain is weighed on hand balance or is measured. In markets where the grain is weighed with hand balance or measured it should be weighed with big balances "Kantas". The agriculturists find a great financial help from these agents.

I am not in favour of opening the operating licensed warehouses at present. The Government should first make roads as many as are needed to render the rural traffic convenient and to make the villages accessible in rainy season. There is a great need of Government assistance in this matter. The villages situated by road-side fetch much more value than those situated far away from roads. In my opinion this work of road improvement is the most important

MR. RAMBHAROS RAO.

one from the point of view of the uplift of the agriculturists in rural areas. To take any measures to form pools in centres before the communications from village to railway station markets are not made, is not advisable. If the proposed machinery is replaced for the indigenous system more non-employment will increase.

QUESTION 3.—In my district the value of land producing wheat and rice same year is Rs. 150 to Rs. 200 per acre in haveli portion and the land producing wheat or pulses is sold at Rs. 75 to Rs. 100 per acre and other lands producing rice or leguminous crops only are sold at Rs. 25 to Rs. 50 per acre.

There is no remarkable change or difference in value of land in my district if it is sold by Government auction for non-payment of revenue, or by the order of Court for payment of a decree or by private negotiations. This difference is seen in value of villages only which require a large sum to purchase them. A purchaser cannot manage to collect such a big sum in a limited time given between the sale and the confirmation and consequently he cannot dare purchase big villages in auction.

QUESTION 5.—In my Patan tahsil the existing debt on the agricultural classes is not less than Rs. 5 lakhs. An accurate estimate of this debt can be had through patwaris who are well acquainted with the financial state of their circle villages. The major portion of this debt in my tahsil is due to purchasing villages and lands beyond the power of strength of the purchaser to cultivate them. Consequently, the income from these villages and lands is so low that it cannot meet the interest even due on the sum borrowed to purchase the villages and the land. This debt in my tahsil is largely due to the indigenous bankers and professional money-lenders. But in last two years the malguzars and the tenants of my tahsil have taken Government loans in form of taccavi for seed and land improvement purposes. This loan is not included in the above estimated debt on the agricultural classes of my tahsil, otherwise it would have been double.

The main cause of all this indebtedness is want of education amongst the malguzars and the tenants. They are mere tools in the hand of their munims, mukhtyars and rokadiyas. This malguzari staff never allows their masters to mix with men of experience nor advises them to go to fields for it is below the position of their masters. Thus they are not trained to endure the troubles of cultivation in open air and under sun or rain. They are utterly wanting in knowledges of agriculture and therefore have no taste in cultivation. They do not find any necessity of inspecting the agricultural works personally because they know that they know less than their servants. I am never of opinion that the indebtedness is due to some sort of extravagance. I am sure that it is due to their want of knowledge of agricultural duties.

As regards the efficient farmers I can say they are not in bad condition. They have not lost their lands as is supposed and if any of them have lost their lands it is not due to their unnecessary expenses but it is due to some sort of litigation which they cannot avoid for certain reasons. Certainly the only expenses prevalent mostly among the agriculturists in my district is the litigation. The expenses in marriages and in other social occasions are rapidly falling down. People are always knocking down door to door to have loans to pay their legal advisers and the court expenses. My opinion is that the one and straight way of improving the agricultural classes is education. Some may set examples how an educated man has ruined his state only because he was educated and therefore he did not like to pay attention to tedious works of agriculture. But I shall say that he was not trained in agriculture practically or his knowledge was very little. A little knowledge is always a dangerous thing. For the education of the sons of malguzars and tenants English middle schools of the pattern of Powarkheda in Hoshangabad district should be opened in every district and tahsil of the Province.

There are some expenses, which an efficient farmer cannot help bearing them, such as deaths of his cattle by certain epidemic diseases, to build houses for himself, for his cattle and for several other implements of agriculture and its produces. The houses in my tahsil on account of the variety of the soil does not stand for more than 10 years. The fact can be ascertained through the Public Works Department. Even a pucca house gives way after some years if the foundation is not well metalled. The materials required to build a house in rural areas, are collected from distant places, even bricks and tiles are brought from the city of Jubbulpore.

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MR. GIRINDRA SINGH, Patel, Malguzar of Kisrod,
district Jubbulpore.

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

Reply to the Questionnaire.

QUESTION 1.—(a), (b) and (c) The agriculturists in the district obtain finance from Government and co-operative banks to a certain extent and from money-lenders and indigenous bankers to a large extent.

There is no fixed rate of interest. It is charged from 1 pice to 2 annas per rupee per month. Sometimes the agriculturists obtain loans on condition of repayment with 50 or cent per cent interest within the period of 6 months or one year.

Grain advances are given on condition of their return with a profit of 25 or 27 maunds per khandi by the time the crops are ready. All this is due to absence of any arrangement for agriculturist to get seeds according to their needs.

QUESTION 2.—The present method of marketing crops in the district is that they are either taken to market places near about or sold to petty merchants in villages.

Suspension of payment of debts till the opening of markets would afford great advantage to the agriculturist.

The different classes of banks and bankers and merchants and dealers play no part during the process of marketing. The general public have no facilities for internal remittances.

QUESTION 3.—There is no fixed price per acre for lands of different kinds of crops. It depends on the need of the purchaser—

- (a) Value of land in Government auction for non-payment of revenue is less.
- (b) Value of land in the event of sale by court decree is similarly less.
- (c) Value of land in purchase by private negotiation is generally higher than in the above two cases.

QUESTION 4.—There is no legal impediment to mortgage land of absolute occupancy right only. But even for that the malguzar's consent is necessary.

There is only one co-operative bank in this district that advances loans on mortgage of land. This bank obtains capital from big people on low rates of interest and advances it to people (agriculturists) at a higher rate.

(a), (b) and (c) The patwaris records should contain information as to mortgage of agriculturists lands with banks so that no other bankers except the mortgage bank can recover its debt.

QUESTION 5.—To reach an estimate of the existing indebtedness of the agricultural classes it is necessary to verify records of indigenous bankers, professional money-lenders and the banks.

The agriculturists generally obtain debts for the following purposes—

- (a) the repayment of earlier debts;
- (b) marriage and other social occasions;
- (c) famine and other kinds of distress;
- (d) payment of land revenue and rent;
- (e) seeds.

These debts are largely due to indigenous bankers and professional money-lenders.

Other causes of indebtedness are extravagant expenditure in society for the sake of show and to keep up false notions of one's dignity.

MR. GIRINDRA SINGH,

A large number of efficient farmers are being turned into sub-tenants or tenants-at-will on account of enforcement of payment of old debts, their landed property is passing into the hands of their creditors.

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

QUESTION 6.—Hand-spinning can give employment to farmers during their spare time. But for this purpose ginned cotton will have to be brought from outside and such marketing facilities will have to be given by which the yarn spun by these farmers will fetch a better price than the mill yarn.

For this purpose special financial arrangements will have to be made and such help can be obtained from the banks or Government only.

QUESTION 7.—The extension of special exemption from income-tax to co-operative societies would afford great advantage to the people.

The co-operative movement in this district has not at all been able to meet the financial needs of agriculturists or small traders and industrialists.

It is necessary to enact legislation such as the English Money-lenders Act on the proposed Money-lenders Bill for the Punjab in order to make provision for licensing money-lenders and making it obligatory on them to supply their debtors with copies of accounts.

The financing of primary societies should be done by the Provincial Bank direct.

II.—Indigenous Banking.

QUESTION 5.—The indigenous bankers grant loans by entering them in their books and getting stamps written for the amounts.

They advance only such amounts as can be recovered from debtors' property. But they do not ascertain beforehand whether property of debtors has any incumbrance on it. The rates of interest they allow on various kind of deposits received by them are always lesser than what they charge to their debtors. These deposits are generally from such persons who cannot utilize their money properly and therefore deposit it with the banks or bankers.

QUESTION 6.—Some of the indigenous bankers before advancing loans put down the condition of their return in grain instead of money. At the same time they fix up rate of grain also which is always higher than the harvest rate.

QUESTION 7.—There is a great prejudice in our locality against the indigenous bankers. These bankers are not at all protected in law. The legal facilities that can be extended to them are the fixation of their rates of interest and the grant of licence to them. The dealings of bankers with their debtors are very bad.

QUESTION 8.—Indigenous bank or bankers are not able to meet all demands for accommodation. They at times demand such securities or impose such conditions that debtors are not able to take loan from them.

QUESTION 9.—It is not true that indigenous bankers' money does not find employment throughout the year. On the contrary they are always short of money.

If there separate banks for each district the funds of these banks would find remunerative employment in the district itself.

MESSRS. PITAMBAR CHOTA LALL PANDYA & Co.,
Bankers, agent, and Government contractors, Jubbulpore.

Part I.

Reply to the Questionnaire.

QUESTION 1.—(1) The agriculturists get finance by selling their produce, but in recent years such realization has been found inadequate due to failure of crops and they are required to borrow from malguzars and sowkars—

- (a) Obtained generally on personal security.
- (b) These are very negligible although important.
- (c) Specially from the Government and a part from malguzars for the purpose of paying land revenue and in case of failure of monsoon. For ceremonial purposes finance is obtained from sowkars.

Loans taken from big malguzars or sowkars for purposes other than ceremonial are for short terms, say about 1 year to 5 years, and the rate of interest charged is about 12 per cent to 15 per cent, the security being none in most cases, provided the amount involved is not large. Loans required for ceremonial purposes are secured by mortgage of some landed property, but the rate of interest charged is the same, *i.e.*, 12 per cent to 15 per cent. Security is demanded in such cases as the repayment is not generally guaranteed within a stipulated time.

The Government, the co-operative bank and indigenous bankers play a part in financing the agriculturists for the purposes mentioned in (a), (b) and (c). The Imperial Bank and the joint stock banks have played no part whatsoever in these matters.

In Jubbulpore the advances to agriculturists against grain by indigenous bankers may aggregate Rs. 2,00,000 in a year. The terms for such advances are that the produce is stored in *Bundas*, possession of which is taken by the money-lender. Interest is charged at 9 per cent to 12 per cent and a margin of about 10 per cent to 15 per cent is maintained on the market value of the produce.

2. In our opinion forming pools and co-operative system would improve the lot of agriculturists so far as the realization of value is concerned.

The part played by merchants in the process of marketing is, that they advance 80 per cent of the market value to the agriculturists who would like to hold stocks for better prices. Interest is charged by merchants at the rate of 9 per cent to 12 per cent, surplus godown rent and a nominal adat. There is a considerable difference between the internal and foreign trade, for many a time a merchant is unable to hold stocks for his agricultural clients and therefore the benefit of purchases at low prices goes to foreign traders such as Messrs. Ralli Brothers and Louis Dreyfus & Co., who have at their command good resources. If a merchant is supplied with resources at the time grain is coming in, or if the agriculturists are financed through co-operative movements, good results will be obtained. This system, which is prevalent in some parts of Bombay Presidency, if introduced, will be of considerable advantage to the agriculturists who will be able to realize the full value of their produce.

Railway receipt is the only instrument for raising money while the produce is in the process of marketing. But this privilege is enjoyed only by merchants of villages who send the receipts to their town *adatyas* and draw on him a *darshani bundi* for about 80 per cent of the value of goods. The form of bills either sight or demand is usual and does not require any change. As for the stamp duty on sight bills, it is desirable that it should be reduced. There is a practice in this town that on many occasions in the busy season and almost invariably in the slack season, of giving *chits* in the form of deposit receipts fixed for a stipulated period, only with a view to save stamp duty. So far no litigation has arisen in respect of advances made in this form, but it cannot be said whether a court of law will recognize such simple *chits* as an instrument.

Opening of warehouses near railway stations will be of advantage, for, even small dealers can take advantage of better prices for their stuff.

MESSRS. PITAMBAR CHOTA LALL PANDYA.

QUESTION 2.—(1) The indigenous banker lends money to local merchants and agriculturists of the neighbouring places. He receives deposits from public, all of which are mostly invested locally. He also is helpful in the transferring of funds.

(2) Through an indigenous banker, mostly, trade, agriculture and industries are encouraged, as he generally applies almost all his resources.

QUESTION 3.—An estimate of the capital of the indigenous bankers in this town is about 10 lakhs to 18 lakhs, which is divided as follows:—

About Rs. 3 lakhs in hundis,

About Rs. 2 to 3 lakhs in ornaments,

About Rs. 2 lakhs in personal security and the rest on mortgages to agriculturists and for petty industries.

Their expenses are very small in comparison to their income, consequently their capital is appreciating.

The relations of the indigenous bankers or money-lenders with the joint stock banks are not very cordial. There are branches of the Imperial Bank of India and the Allahabad Bank in this town. The Allahabad Bank has not been doing any appreciable advance business. They accept deposits and transfer funds to other places. The Imperial Bank has been doing advance business, but their policy has been changed lately, and that policy if continued to be pursued would prove disastrous to the local trade. When this bank established its branch here it reduced people by offering several concessions all of which have since been withdrawn and traders are left deserted. (For full particulars see concluding portion).

QUESTION 4.—Copies enclosed.

QUESTION 5.—Loans and cash credits are granted in some cases against personal security while in others the same are made on the security of a property. This depends upon the standing and respectability of the borrower and cannot be defined here exactly. The indigenous bankers have their own funds and they trade with their own capital and borrow very rarely. There is always some turnover and therefore he is in a position, very generally to meet the demands of his customers. If at one time he has no cash, his customer will have to wait till cash is coming forth.

QUESTION 6.—The rate of interest charged to agriculturists is generally 12 per cent to 15 per cent. Through co-operative movement this can be brought down. If any saving is made out of interest the agriculturist will invest that for the improvement of land. This can be imagined from their general tendency.

QUESTION 7.—There is no prejudice against the indigenous bankers or money-lenders. On the contrary they are popular and are becoming more popular with the Imperial Bank adopting its present policy. An indigenous banker is duly protected by law but the protection offered to a joint stock bank is considered greater. Similar protection should be offered to these bankers. To make these people more serviceable it is suggested that they may be supplied with adequate funds by the joint stock banks. In our opinion the Imperial Bank should be asked to do this inasmuch as it has at its disposal enormous amount of Government funds, which they now use for competing with the local people.

QUESTION 9.—After allowing all expenses the return on the capital of an indigenous banker in our opinion should be about 9 per cent.

QUESTION 10.—The indigenous banker or a money-lender has to refuse business for want of sufficient funds at their disposal.

QUESTION 11.—Establishment in this town of Central Reserve Bank or a joint stock bank with a capital of Rs. 15 lakhs to 20 lakhs will go far to help the local trade. Of course, there exists a bank with a local directorate, but due to a very small capital they are handicapped. Also the position of managing directorate who are very much hard up for ready cash reflects upon the institute and mitigates against the development of deposit business. A joint stock bank or the Central Reserve Bank may do advance business through established

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people who should offer sufficient guarantee to the bank for the safety of its money. By this confidence of the indigenous bankers will be gained automatically.

QUESTION 12.—By the establishment of the co-operative banks in principal rural areas with authorities to receive deposits the spare funds can be made available to the local people.

Part III.

QUESTION 1.—The public are provided with the facility of investment in post office cash certificates and post office and joint stock bank savings banks accounts. The practice of investment in gold and silver is prevalent from times immemorial but that exists mostly in rural areas.

QUESTION 2.—Post office cash certificates give a good yield but through them the spare funds of the district are being dragged away.

QUESTION 4.—Cheque habit in this district is not growing because the principal bank, the Imperial Bank, is insisting on the maintenance of a minimum balance of at least a few hundreds which a man with average income cannot afford to do. Instead of insisting on the maintenance of a minimum balance if the bank charges a nominal fee for maintaining accounts as is done by other banks, cheque habit will become popular. Due to these restrictions of the Imperial Bank which has a number of branches all over India, the cheque habit has not gained any appreciable growth even with the abolition of the stamp duty. At present the cheque habit in up country is common only amongst well-to-do people, but if the Imperial Bank removes its restrictions with regard to minimum balance, the cheque habit will get an impetus. Of course the bank may charge a fee of Rs. 2 or so for a year to meet stationery charges, etc. Pay to employees drawing above Rs. 100 by means of cheque will help to encourage the habit.

QUESTION 5.—There should not be any hesitation in saying that the banking and investment habit in this country is very slow. Certain amount of apathy is created towards this habit by banks, whose rules and regulations for conduct of an account are very hard to be followed; for example, an Indian woman, who cannot sign in English, is not considered by the Imperial Bank, a desirable person to be dealt with, though she may belong to a very respectable family. She would be required to go before a Magistrate to get her signature verified although the bank is supplied with specimen of her signature. Such restrictions by a premier bank like Imperial Bank creates prejudices against the banking system. Even a male member of a Hindu community has to sign several unusual forms if he wishes to bank with that bank. These things are not asked for by any other joint stock banks. The Imperial Bank should be asked to waive such demands when in ordinary course it is protected by ordinary law. Besides, even in the case of deposits this bank can afford to demand many unusual things inasmuch as it has at its disposal enormous Government funds, which make the institute feel not to care for deposits from public.

The general opinion is that, the opening of the branches by the Imperial Bank has, instead of improving, has affected adversely the economic condition in the up-country by its ever changing policy. It is said that when the bank opens a branch it induces merchants to come to them by offering concessions, which are very usually allowed by other banks. Some times later when it sees that the branch has gained ground it withdraws gradually the so-called concessions with the result that merchants are put in a bad plight. Locally this has been experienced and the Merchants' Association is putting its protest very shortly, against the banks' policy.

MR. SHEOPRASAD PANDE, Landholder of Panagar, district Jubbulpore.

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

Reply to the Questionnaire.

QUESTION 1.—(a) For expenses during cultivation the agriculturists mostly obtain finance from indigenous bankers by mortgaging their crops. Before granting loan bankers settle rates of grains of the coming harvest and when crops are ready they take grain instead of cash, at the rate settled beforehand.

In addition to indigenous bankers loans are obtained from co-operative banks and Government on payment of interest.

(b) For improvement of fields money is obtained on interest from co-operative banks and for improvement of land and purchase of bullocks, etc., taccavi loan is obtained from Government.

Seeds are obtained from Agricultural Association on condition of their return with 25 per cent profit; sometimes the Agricultural Association accepts cash for seed advanced by them. In addition to this agriculturists get great help from Agricultural Department. The Agricultural Department is now trying to establish "seed unions" in villages and their effort is achieving success. If these "seed unions" are established in each village they would afford great relief to the agriculturists and the scarcity of seeds would be removed for ever.

(c) For failure of monsoon Government allows suspension and sometimes remissions of land revenue. For ceremonial purposes, however, the agriculturists have to depend on the bankers. The malguzars also help the agriculturists on such occasions.

The rate of interest charged in this district varies from 8 annas to Rs. 3-2-0 per cent per mensem. But this rate is changed according to credit and dealings of agriculturists. This rate is lowered according to the status of a borrower, loan in small sums taken, the shortage of period of loan and the mortgage of property.

The loans taken from bankers are repayable within three years from the date of payment.

Loans from co-operative banks, Agricultural Department and Government (taccavi) are not given to individual agriculturists but to their unions on joint responsibility. Although there is facility for recovery in this system, generally it so happens that if any member of a particular union is unable to pay off his share of the loan, it is recovered by warrant from other members of that union who have paid their share in full. It would have been much better if arrangements could be made for payment of debts to individual agriculturists according to their property.

Bankers advance loan on stamp account books, etc., but the general practice is of mortgage of property, pledging of crops of foreclosure mortgage of land. Agriculturists are obliged to accept terms of money-lenders and have to mortgage their property to bring their land under cultivation.

The defect in the present system is that bankers advance loans by settling rates of prospective crops (which is generally cheaper than the market rate) or by mortgaging the standing crops. Agriculturists have therefore to give their grain to these bankers at a rate cheaper than the bazar rates and in this way they have to sustain loss for years together. In some cases a poor agriculturist never gets out of clutches of bankers owing to high rate of interest which goes on accumulating at compound interest and in spite of continuous repayments he is not able to pay the principal at any time.

In my opinion establishment of 'cash unions' on lines of 'seed unions' in every village or at least in every circle would afford sufficient help to the agricultural community and would save it from the present hardship. These "cash unions" should advance cash loans to agriculturists in times of need

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according to their requirements and status and recover it at harvest time either in cash or in grain at prevailing bazar rates. If some such institutions are established, they would, in my opinion, remove the present defect.

2. In Jubbulpore district, present method of marketing principal crops is as follows:—

In some cases, before wheat, rice, gram, juar, crops, etc., are ready, agriculturists sell them to bankers at the rate the banker demands and the agriculturist agrees to borrow cash to meet his urgent expenses.

In some villages purchasers go to villages just at the time when grain is ready after harvest and they purchase the grain. The agriculturists in order to maintain their promise in dealings with bankers have to sell their grain before the date of repayment of loan falls due.

Those agriculturists who have facilities to bring their crops to bazars sell them when the rates are favourable.

In the beginning of the season market rates are low but after a few days or months they go up. If agriculturists can wait till the rates are favourable and then sell their crops they can derive some benefit thereby. But as payments of bankers and co-operative banks are due just after the crops are ready the poor agriculturist cannot afford to wait for favourable opportunity to sell their produce.

In the beginning there will be some difficulties but when agriculturists understand the object of such pool and when they realize their own benefit they will have faith in them and then working of these pools will go on satisfactorily. If co-operative banks, Agricultural Department, and seed unions render good help for attainment of success then the system of pools will work satisfactorily.

I have already expressed my ideas about formation of 'cash unions'. If such unions or any other institutions of that kind are established, they will, in my opinion, be able to advance cash loans to agriculturists and recover them in grain instead of in cash at proper rate when the crops are ready.

After crops are cut and agriculturists take them to markets they are put to great hardships because in majority of villages there are no good roads and wherever there are they are good for nothing. It is a matter for satisfaction that the District Council is looking after repairs of roads annually and puts up bridges over the nullahs wherever necessary. This work has been completed in some places, but the result is not yet satisfactory. There is no change for better to remove this inconvenience of the agriculturists. There is also no possibility for it in the near future, looking to the sluggish manner in which the work is going on. All the touring officers of the district have got experience of the roads and nullahs of the district and they alone know what an amount of trouble they have to undergo in crossing them. As long as the Government does not take up the work of roads under it and give its proper attention to the troubles of agriculturists in that respect will know no end.

There is great need of repairing the existing roads and constructing new roads as also of constructing bridges over the rivers and the nullahs in this district.

For internal remittances there are the facilities of hundis insured notes and money orders.

There are no accounts kept of money required after harvesting crops to market them. This can be ascertained by a reference to the railway receipts of the merchants who export grain (after purchasing it from the agriculturists) or the stamps of the bankers.

3. In this district the value of land per acre is as follows:—Land of full right (malik-mukbuz) Rs. 50 to 100 per acre, absolute occupancy land Rs. 50 to 75 per acre, occupancy land Rs. 30 to 50 per acre.

Fallow land is sold at a cheaper price. Similarly Sihora and patarical (stone) lands fetch little price, i.e., from Rs. 5 to Rs. 40 and Rs. 3 to Rs. 20 per acre respectively.

(a) and (b) The value of land in Government auction for non-payment of revenue and in the event of sale by court decree is lesser than (c) the value of land in purchase by private negotiation.

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4. In this district there is no legal impediment to mortgage land except that of occupancy right which cannot be mortgaged without the consent of the malguzar. This legal impediment in respect of the occupancy land is of great advantage to the agriculturists for, if it were removed then most of their lands will go away from their possession. Any money-lender by advancing loan to agriculturists will be able to get the occupancy land auctioned.

At present condition of agriculturists is already deplorable owing to continuous scarcities since two or three years. It will take at least 10 years to agriculturists to gain their position. Under these circumstances if legal impediments in respect of mortgage of occupancy holding be removed, then money lending institution will pounce upon them and they will be deprived of all their lands.

I am inclined to think that the agriculturists of the district are satisfied with this legal impediment and that they are more benefited thereby.

(a) In the records of rights and title of ownership there is no mention of amount of loans. If patwaris are instructed to this effect it would avoid possibilities of disputes and counterclaims by parties other than those who are the clients of the bank.

In these records a column should be provided for writing the amount of debts an agriculturist owes to a banker; and if possible the names of the bankers should also be mentioned therein.

6. In this district among the subsidiary industries, allied or supplemental to agriculture mention is always made of the gur-making industries which exist in name only.

Cultivation of cotton and sugarcane can be encouraged so that agriculturists may develop industries such as gur, sugar and cotton ginning. In order to encourage the agriculturists to cultivate cotton and sugarcane in larger proportion, rent on such cultivation should be reduced. For such cultivation taccavi loan should be given free of interest according to need of cultivator and its recovery be made by easy instalments.

If cotton is sown on extensive scale it would afford a good means of livelihood to agriculturists and to the labouring classes.

When farmers are free from field work they can spin yarn on the spinning wheel and weave clothes for covering their own body and those of their children with a little capital. In this way they can help much the old industry of the country. Poor weavers who had to give up their ancestral profession out of sheer helplessness and who are moving about without any employment should be restored their industry. It will solve the problem of unemployment to a great extent. The condition of agriculturists will only be improved when they are able to produce all their requirements in their own villages or country. Agriculture being their only means of income, they have to meet from that income the Government revenue, the payments of the debts of the bankers, as well as other expenses such as provision for maintenance for the year and clothes, etc.

Of all the industries I regard spinning wheel as the best for agriculturists and labouring classes. To encourage this industry the Commissioner of the division tried a good deal during the recent famine but it could not succeed for reasons that are unknown. If the Government gives proper help in this respect the problem of unemployment and starvation could be solved to a great extent. It would revive the ancient industry of the country, and the least that it could do is that agriculturists and labourers will be able to meet their requirements of cloth at a low cost and thus save considerable expense which they are at present required to do.

MR. RAMKRISHNA TIWARI; Manager, Bhargava Commercial Bank, Jubbulpore.

Part I—Agricultural credit and credit facilities for small Industries.

Reply to the Questionnaire.

QUESTION 1.—(1) (a) The agriculturists of the district obtain money from sowkars, co-operative societies where they exist for expenses during cultivation.

(b) They obtain money for capital from town and big local money-lenders and Government finances them for permanent improvements.

(c) The Government provide finance during years of flood or famine. They obtain loans from sowkars or local money-lenders for payment of land revenue and for ceremonial purposes.

The rate of interest charged in the district of Jubbulpore varies from 9 per cent to 24 per cent per annum according to the needs and credits of the borrowers. The loans are taken for 1 to 5 years. Short term small loans are generally taken on the security of crops and on personal security and long term big loans are taken on the security of landed property. Interest is capitalized in case of non-payment on due dates. In case of default loans are generally recovered from the sale proceeds of mortgaged property by court decree. Government advances loans to agriculturists under Land Improvements Act and Agriculturists' Loans Act.

The share of the Imperial Bank of India and Joint Stock Banks in financing agriculture is negligible.

Co-operative banks make advances to the agriculturist at reasonable rates of interest on the security of joint and unlimited liability for productive purposes generally.

Indigenous bankers advance loans to malguzars and rural money-lenders. Grain advances are made on "Badi" (Badi) system generally by the local malguzars or well-to-do tenants, repayable at the time of harvest. The tenants have to borrow inferior quality of grain as they have no other source to get it. They are compelled to sell it at low rate at the time of harvest. Grain marketing (adat shops) societies on co-operative lines should be organized in suitable centres in the district to obtain grain advances. Transferable rights of lands should be given to the tenants in order that they may be able to furnish sound security to their creditors. (Sowkars or co-operative banks) to secure cheap and sufficient agricultural credit. There is no co-ordination among the various credit agencies. Co-ordination among various credit agencies can only be possible if demarcation in their respective business be made.

(2) The middlemen control the crop supply. The indebtedness of the small holders to the village money-lenders makes them to sell their crops too early at cheaper rate as a debtor is the slave of his creditors. These local money-lenders who deal with the town grain merchants (adatyas) bring crop to them. The big landholders and malguzars also bring their crops to adatyas. Marketing of produce can with advantage be undertaken by co-operative societies of farmers.

The marketing co-operative societies can obtain credit facilities on the security of their produce from Co-operative Central Banks.

The merchants and adatyas at the time of harvesting take loans from bankers, banks on their personal as well as on the security of grain at cheaper rate of interest in order to purchase produce at favourable rates and to make advances to village money-lenders or big landholders to bring produce in their shops for sale or to keep it in their adharat till they can obtain favourable rates for the disposal of their produce.

The existing facilities available to the public including banks and bankers for internal remittance are hundis. There are no defects in the existing system. The reduction of duty on bills or hundis are desirable for the more extensive use of bills.

The different classes of hundis are current in the market of Jubbulpore are Darshani, 61 days, 90 days and 365 days. Generally hundis are discounted in the local market and some times they are also sent to Bombay and Calcutta.

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They are held by merchants and banks who charge commission. Railway receipts are employed for raising money during the process of marketing. No difficulties are experienced regarding the use of railway receipts. In my opinion the Government should assist co-operative market societies to supply godowns free of cost and rent.

QUESTION 2. Agriculture.—(a) The financing of agriculture is almost entirely in hands of the indigenous money-lenders and bankers. The village money-lenders advance money and grain to the cultivators often against a standing crop, after against no security other than personal.

(b) The indigenous bankers do not help the agriculturists directly. But some town bankers grant credit to the village money-lenders against rural produce. They also lend money to big landed proprietors.

QUESTION 2. (c) The enlightened producers or those who are not bound to money-lenders, as well as some village money-lending traders who buy crops from their customers, bring their commodities for sale in the bazar. In the bazar prices are determined by free interplay of the forces of demand and supply. In the bazar, the town traders, the representatives of exporting firms, the agents of indigenous banking houses, on their own account or on behalf of the customers buy these commodities.

4. Yes, there is legal impediment to mortgage of land. The *malguzar's* previous permission is required to mortgage absolute occupancy land and occupancy agricultural holdings cannot be mortgaged. Only *malik-makbuza* land can be mortgaged. There are no land mortgage banks or any other banks in the province for long term credit. Co-operative land mortgage banks on the limited liability basis for long-term credit should be established. The operations of each bank should be restricted to a compact group of villages and the borrowing power of the bank should be certain determined proportion of the paid up share capital.

(a) Mortgagor should be compelled to inform the revenue authorities to record the names of the parties, the amount and terms of the mortgage deed in the *patwari* papers, and this should be done by enactment.

(b) The process of foreclosure and sale by the mortgage bank in the event of non-payment is necessary.

(c) Similar concessions as have been granted to co-operative societies under the Co-operative Societies Act No. II of 1912 should be given to mortgage bank.

The working capital of the proposed mortgage bank should be derived from debenture bonds. The debentures should be issued against the landed property pledged by the members. The Government should guarantee for principal and interest of debenture bonds. The debentures of land mortgage banks should be controlled by central organization (*Provincial Bank*) otherwise the position will arise of a number of small institutions flooding the market with competing issues. Loans under the *Land Improvement Loans Act* and *taccavi* loans should be distributed through these banks. The officers of the Government should be members of the management of the proposed mortgage banks. The debentures of mortgage banks should be included in the list of trustee securities. The mortgage banks should raise monies at 6 per cent and lend out at 9 per cent.

QUESTION 5.—It is necessary to ascertain as far as possible the amount of existing indebtedness of agricultural classes.

The estimate of existing indebtedness of agricultural classes can be obtained through Government agency by means of inquiry under some force of law.

The agricultural classes are heavily indebted to indigenous bankers and professional money-lenders. The growth of indebtedness is due to the high rates of interest which the agriculturist as borrower has to pay is much higher than his industry could bear. Another defect is that finance is not available on fair and reasonable terms for the improvement of agriculture. The money-lenders generally charge interest from 9 per cent to 24 per cent per annum. The interest is generally calculated annually and if not paid compounded. The *sowkars* take the peculiar advantage of his education status and financial resources in enforcing the payment of the debt.

Through the process of the enforcement of the old debts the landed property of the efficient farmer is passing into the hands of the creditors. They are tenants-at-will of the creditors.

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Dairy farming, gud-making, garden produce, hand spinning, basket making and weaving are the subsidiary industries and can be supplemented to agriculture in the district. Spinning and weaving is the most useful enterprise which will give employment to the agriculturists during slack season to enable them to supplement their income and to raise their standard of living. These industries should be introduced on co-operative lines and the Government should lend the services of experts to make them successful and to find out market for finished articles. They require credit facilities which can be given by co-operative banks.

QUESTION 7.—Co-operative banks have no relations with the Imperial Bank of India, joint stock banks and the indigenous banks except cash credit business which has been granted to the Provincial Bank and to some Central Banks in Berar by the joint stock banks.

On account of illiteracy of members of co-operative societies and the head-quarter of financing (a Central Bank) agency being far from them the short-term business will not be liked by the members. In short-term business the writing work will be increased for which extra staff will be required. The societies and banks cannot afford to increase staff as their profits do not allow them to do so. The financing agencies (Central Banks) have to manage to obtain funds for short business from some banks as they cannot manage short-term deposit business.

Long-term business is advantageous to societies which can be done if Central Banks began to accept long-term deposits or empowered to issue debentures.

The co-operative credit societies can solve the problem of attracting capital. In order to pour large amounts of capital into the co-operative movement necessary amendments should be made in the Indian Trust Act to invest Trust funds in the debentures of provincial banks. Without sufficient capital the societies cannot compete the money-lenders.

The Imperial Bank of India though extending its banking operations it is giving banking facilities to the urban population but it has done nothing to the villagers who form the bulk of the population as it is not feasible and profitable to have its branches in villages.

The Imperial Bank of India should grant cash credit to the Co-operative Central Banks against pronotes of primary co-operative societies endorsed by Central Banks. It should also advance cash credits to the Provincial Co-operative Banks against pronotes of Central Banks, endorsed by the Provincial Bank.

The Imperial Bank of India should also give remittance facilities to the Central Banks and Provincial Bank. It should help Co-operative Provincial and Mortgage Banks in fluctuation of debentures. It should make advances against mortgages taken by the co-operative mortgage banks. Loans on usurious rates of interest have gone on in spite of Usurious Loans Act. The Government should enact legislature to prohibit money-lenders to charge high rates of interest but it is very difficult to prevent people from paying and receiving high rates as a matter of fact. The enactment of legislature against usury can exercise a restraining influence and can be beneficial within limits but it cannot remove the evils.

There is no competition in Jubbulpore district between the co-operative banks and joint stock banks.

In order to stimulate the growth of the co-operative movement special exemption from income-tax to genuine co-operative societies inclusive of debentures issued by Provincial Co-operative Bank in the list of trustee securities is desirable.

The co-operative movement has not succeeded to a greater extent in meeting the financial needs of the agriculturists. The movement has achieved in reducing the rates of interest in neighbouring villages where co-operative societies exist. It has not come upto its ideals. The development of the movement depends to a large extent on the education of the masses and of the members of the co-operative societies in co-operative principles.

Some enactment is necessary to make obligatory on money-lenders to supply their debtors with copies of accounts and not to charge exorbitant rate of interest and provision should also be made for licensing money-lenders. The financing of primary co-operative societies should be done by the Central Banks and not by the Provincial Bank.

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Indigenous Banking.

Hundis.—(4) The "hundis" afford an excellent source of investment to the indigenous bankers. Some of them do not draw hundis but purchase them. They are discounted at the rate varies from 4 per cent to 9 per cent and are re-discounted with the Imperial Bank of India. The hundis are discounted both with the Imperial Bank and the Indian joint stock banks.

Part II—Indigenous Banking.

Methods of accountancy.—(8) The indigenous accounting, which is reputed not only for its antiquity, but also for its simplicity and efficiency. A town money-lender or banker keeps several account books called "Bahis"—Rokad Bahi (cash book) Nakal Bahi (journal) containing credit transactions and a "Khata Bahi" (ledger).

A village money-lender maintains the "Khata Bahi" and one Roznamcha (day book) in place of the two Rokad Bahi and Nakal Bahis.

In the Roznamcha or the Rokad Bahi, on the left side are entered the credit entries and on the right side the debit entries. At the end of each day both the sides are totalled and the cash compared. From these day books the names of the customers are carried on to the Khata Bahi. The pages and dates of the Roznamcha or the Rokad Bahi are noted in the Khata Bahi, and on reference the account of any customer can be found and inspected.

In the Khata Bahi there are various accounts which are called "Khatas". There are two kinds of accounts, personal called "Dhaniwai Khata" and other called "Shri Khata". Their accounts are not open to inspection or verification by customers. There would be unreasonable opposition for regulating their operations and for giving publicity to the same.

Calculation of interest.—Interest is usually calculated according to Katmiti system.

Functions of an indigenous money-lender.—Indigenous money-lender lends money, corn seeds or cattle to agriculturists on the security of produce or other movables or of immovable or on personal security only. He often makes advances against standing crops. He also lends in cash or kind to non-agriculturists.

Indigenous banker.—(1) He receives deposits and gives cash credits and deals in bills of exchange, hundis of both kinds, demand and usance. He also lends money to persons connected with lands and merchants on security or without security.

The indigenous bankers and money-lenders are grain dealers, general merchants, commercial agents, brokers, jewellers, land-owners and traders. They purchase grain at the time of harvest and store them till the prices rise, so as to get a margin of profit.

(5) Indigenous banker lends money on a written promissory note. A person in need of money goes to a money-lender settles the rate of interest with him and obtains the loan after writing out a promissory note promising to pay on demand the principal and interest which is mentioned. The pronotes are stamped. For small sureties are not demanded but in case of big loans the borrowers are required to furnish sureties; if they cannot produce sureties the money-lenders advance loans at higher rates of interest. In some cases loans are taken on receipts.

Loans are also made on bonds. They are written out on stamped legal form. All the conditions of loans in detail are recorded in it. Higher rate of interest in case of non-payment on due date is also mentioned. The bonds are generally used.

Ticket Bahi (Sarkat).—In these Bahis the borrowers pledge their signatures to repay the loans they take, but the conditions and rate of interest are not mentioned in it. Verbal contracts regarding the period of repayment and rate of interest are made. Mortgage bonds loans are given on mortgage of landed property. 50 per cent loan on the market value of the property is advanced to the borrowers. The mortgage deeds are registered by the Registrar of the district.

The money-lenders also advance loans against the pledge of gold and silver ornaments.

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loans in kind.—The cultivator who needs grain for sowing or consumption purposes takes it as loan from the village money-lender contracting to pay at harvest time the same quantity plus 25 per cent.

Some times the money-lenders advance grain to the cultivators, convert the value of loan from kind into coin at the current market price of the commodity. The Pathans who wander from village to village selling cloth induce the villagers to buy clothing on credit. These Pathans charge high prices and give inferior quality of goods. They allow cash credits on personal security as well as on real security for which they give verbal or written assurance for the limit but do not bind themselves if they do not advance up to that limit.

They accept deposits and take loans from joint stock banks when they are in need of money.

The indigenous bankers allow interest on deposits between 4 per cent to 6 per cent.

(6) Rates of interest which the agriculturist community generally pay to the money-lenders and indigenous bankers vary from 9 per cent to 24 per cent. They can be brought down by organization of co-operative credit societies and by pouring sufficient money in the co-operative movement and by enactment to prohibit them to charge high rates of interest. Reduction of rates of interest would help the agricultural community in improving the standard of living.

(7) There is no local prejudice against the indigenous bankers. They are popular with the Indian business community, because of the banking hours, their close relationship to business, their knowledge of conditions and having their offices in the business locality and also their economic method of operation.

(9) After making allowance for the expenses as stated in the question the net return to the indigenous banks and bankers on their capital is 9 per cent.

(10) The indigenous banks and bankers have to refuse demands for want of sufficient capital.

(11) The organization of indigenous joint stock banks in small towns can link the indigenous banking system with the central money market and provincial capitals. The indigenous money-lenders and bankers should be directors and paid employees of these indigenous joint stock banks. These institutions should receive deposits, make loans and discount bills of exchange.

The neighbouring villages will consider safe to invest their savings in these banks when they will see that the banks are managed by their prominent and well meaning neighbours whom they have known all their lives.

Agent, Imperial Bank of India, Jubbulpore.

Part I.

Reply to the Questionnaire.

QUESTION 1.—The relation between malguzar and tenant is of supreme importance in any study of the financial condition of the peasant in this district. I believe I am correct in saying that the major portion of the grain produced in this district is grown by the tenant-at-will of the malguzar. It is to be feared that the mutual sympathy one would look for in two classes faced by the same common dangers, natural and human is seldom in evidence.

The three stages at which the agriculturist stand in need of financial assistance are obviously—

- (1) Before the crop is sown.
- (2) During the period between sowing and harvesting and
- (3) Between arrival in the market town and actual sale of the produce.

The unfortunate tenant-at-will is bound by custom to approach the malguzar for a loan of seed, if he is unable to meet his own needs. It is only if the malguzar is unable or unwilling to meet his requirements, that the tenant is at liberty to obtain seed elsewhere. If the malguzar grants his tenant a loan of seed, a return of 25 per cent in excess of the amount supplied has to be returned at harvest time.

To the best of my knowledge neither custom nor law lays down any maximum or minimum terms of malguzari tenancy. Each peasant makes the best terms he can with his landlord and the agreement is, I am informed, usually year to year.

2. During the growth of the crop the normal fountain of credit for the agriculturist is the village Bania or sowkar. The malguzar usually is not in a position to finance his tenant at this stage. The agriculturist obtains either clean loans for which he pays 12 to 15 per cent of raises money on the security of his gold or silver ornaments. The cost of the latter type of finance is about 12 per cent. If the amount borrowed is petty, the rate of interest for clean advances rises to 24 per cent. As these loans are given for a fixed period, usually two to three months—interest is charged for the whole term, irrespective of the length of time the advance has actually been outstanding.

The malguzar himself often feels the need of finance during this period, and for sums of, say, Rs. 3,000 and over he executes a mortgage of his lands in favour of the sowkar, paying 12 per cent for the accommodation.

3. The adatya is the normal financier during the period elapsing between the arrival of grain at a market town and its sale. The commission agent is the normal channel connecting producer and purchaser. In some cases the peasant has sufficient enterprise to instruct the adatya to hold his grain, pending the receipt of a certain price. To meet his urgent necessities the peasant borrows up to 80 or 90 per cent of the market value of his grain. The cost of such an advance is usually 9 per cent plus godown rent Rs. 2 per 100 bags per mensem plus commission and other charges which amount to 10 annas to one rupee per cent. This type of accommodation is usually outstanding over the monsoons and the average period is about 5 to 6 months.

QUESTION 2.—The area covered by the under-noted remarks includes five grain centres of importance, where about Rs. 60 lakhs of grain are marketed annually. The methods of marketing produce, differ from town to town, but one constant factor is in evidence—the exploiting of the producer for the benefit of the middleman, be he village sowkar, adatya or broker.

Grain is marketed in these centres by various classes, peasants, malguzars, village banias, agents or adatyas and small merchants touring the villages. The proportion of the arrivals marketed by each class varies considerably from town to town.

In Jubbulpore the peasant markets about 1/4th of the total arrivals the malguzar 1/4th, merchants about 1/16th and village banias about 9/16th. The part played by the peasant in the actual sale of his goods is non-existent.

AGENT, IMPERIAL BANK OF INDIA, JUBBULPORE.

He has to put himself in the hands of the auctioneer in the market place, or in the hands of the commission agent. He does not deal direct with the purchaser. If he sells through the auctioneer, he pays him 10 annas per cent, while if he sells through the commission agent, various charges are incurred. Commission is calculated at 8 annas per cent, coolies and weighing charges are one anna per bag, godown rent is charged at Rs. 2 per 100 bags per month. If the peasant is enterprising enough to hold his stocks in the hope of a rise in prices, interest is charged at 9 per cent and a margin of 10 to 20 per cent on the ruling market prices maintained. Of the total amount of stocks held against a rise in prices, about 1/16th is owned by peasant, 1/8th by malguzars, and the remainder by merchants on their own accounts or on behalf of their village adatyas. About 1/3rd of these stocks are finally exported, the rest being consumed locally.

In Gadarwana the peasant markets 60 per cent of the total arrivals, the malguzar 20 per cent to 25 per cent, and the remainder is brought in by small merchants who have toured the villages. Here we see a new form of parasite fattening on the peasant—the broker. Custom requires that all peasants sell their grain through commission agents. Every commission agent has one or more brokers who conducts the sales of grain. The iniquitous "Hatta" system is in vogue. The broker sits in the adatya's shop with his hand covered with a cloth. Merchants visit the various commission agents' shops, examine the produce and secretly make their bids, signifying the amount by pressure on the broker's fingers underneath the cloth. The broker's opportunities for misrepresentation of bids are obvious, and equally obvious is the identity of the party whose interests are sacrificed. For the very questionable benefits derived by the peasant from the services of the adatya, he pays 8 annas per cent commission, brokerage about 3 annas per cent and other charges amounting in all to about Rs. 1 per cent.

In Pipariya the peasant markets about 50 per cent of the arrivals, and the malguzar about 30 per cent to 35 per cent. The broker system does not exist here. No grain is sold to the purchaser by the producer. It passes through the hands of the commission agent, who visits the merchants' shops and concludes the deal.

In Kareli the major portion of the arrivals are brought into the market by agents of local adatyas, who tour the villages securing stocks.

Agent, Imperial Bank of India, Katni.

Part I.

Reply to the Questionnaire.

QUESTION 1.—Mostly the indigenous banks or bankers on this side deal in hundis or money-lending as a side business along with their usual business in cloth, bullion, grain, commission agency, etc. To pay for their imports of cloth, grain and other business they generally purchase all the available hundis drawn on the important places which they remit to their adatyas in adjustment of their obligations. Their money-lending is mostly against mortgages of landed properties, ornaments, produce and against usance bills usually drawn at 90 days after sight or date.

QUESTION 4.—The various kinds of credit instruments in vogue are bills drawn at a usance of 3 to 5 months, mortgage deeds, with memorandum regarding terms, etc., attached, demand promissory notes and "Teep" (vernacular word for a loan document).

QUESTION 5.—The indigenous bankers' methods of granting loans and cash credits are as follows:—

Loans against usance bills, demand pro-note and Teep and in the form of cash credits.

The terms and nature of the first two loans are forms of common usage all over India. The third form advance against Teep, is perhaps a special form of this Province. In the latter form of advance there are generally certain terms and conditions as regards repayment of the loan, i.e., part instalments, rate of interest, to pay interest on the whole amount if a certain part payment is not paid in time. So far as I understand there are no documents executed for advances granted in the form of cash credits by the indigenous bankers. These bankers maintain a special account book wherein all the entries as to the amounts taken and repayments made are entered by the borrowers themselves and interest calculated on the daily balance and applied monthly or quarterly as previously settled.

Part III—Investment habit and attraction of capital.

QUESTION 2.—If postal certificates are made freely negotiable as Government paper, the holder will be enabled to readily sell them without having to go to the Postal authorities as at present, or to raise loans against them if need be, which would increase their popularity. It is only perhaps the servant class who mostly invest their money in saving bank. The merchant class who find a part of their capital idle during a few easy months, i.e., rainy season, cannot invest in savings bank due to the restriction of a certain maximum amount which can only be accepted in such accounts. It is likely that if deposits are accepted in such accounts for short periods i.e., two to three months without restriction as to the maximum that is accepted in each calendar year at present it may perhaps attract more capital.

QUESTION 3.—The Imperial Bank of India has been rendering facilities in the purchase of New Government Loans by effecting the purchases for the intending investors on taking 20 per cent advance and granting them loan for the remaining amount at a very reasonable rate of interest to encourage their investment habits. Agriculturists and small investors (educated class) do generally prefer postal certificates to Government securities the cost of which is always fluctuating. If postal certificates for short period are issued, they would perhaps be more attractive for investment.

Agricultural class in general has very little left out of the proceeds of their sale of produce after paying their debts and accrued interest and Government dues and the illiterate people mostly invest this little amount either in purchases

of ornaments which they think they can easily raise loans against or sell them if need be or increasing their landed and cattle property. Cultivator class have the tendency to hoard but at present they have no such surplus funds and to my knowledge there might be a very little percentage of money lying idle under ground at this time.

QUESTION 4.—Since the abolition of stamp duty on cheques people are encouraged to open banking accounts and pay their obligations by means of cheques to ensure safety and protection in cases of dispute as well as the afforded facility in remitting funds. Indigenous bankers mostly make all their advances now through banks by means of cheques.

MR. FAKIR MOHAMMAD, Landholder, Saugor.

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

Reply to the Questionnaire.

Translation of Vernacular reply.

QUESTION 1.—The agriculturists in this district obtain finance for (a) expenses during cultivation by execution of a bond or by pledging ornaments.

(b) No permanent improvements are done. For seed purposes the agriculturists borrow grain on condition of sawai (i.e., at 25 per cent interest) for purchase of bullocks, loan is taken on bonds.

(c) In case of failure of monsoon payment of land revenue cannot be avoided. Social functions are generally stopped.

Rate of interest prevalent in my district is 8 annas to Rs. 3 per cent per mensem. Loan is taken for one year. If within that period the loan is not repaid, more time is asked for. The system of mortgaging standing crops is prevalent in certain parts of the district and cattle are also afforded by way of security. Only the indigenous bankers help agriculture more than any body else. Government advances some taccavi loan and the co-operative bank that has been started also gives loan to the agriculturists.

There are no defects in the present system because the money-lenders do not settle rates at the time of advancing loans to the agriculturists. They only recover their grain advances with sawai in kind and the agriculturists are at liberty to dispose of their grain in the manner they like. But for want of pucca roads the agriculturists are required to sell their grain at a cheaper rate to rural traders.

Recently seed unions have been started by Government in this district to advance seed on loan. There appears facility in this and there is yet scope for a great deal of improvement in that direction.

QUESTION 2.—In this district grain is purchased by rural traders or the agriculturists sell them in the markets through commission agents.

In my opinion, it is necessary to establish sale boards in villages for disposing of produce of the agriculturists.

These boards will purchase produce of the agriculturists at the time of harvest and sell them when there is a good price for them. These sale boards should be established on a system of share capital to be subscribed by the agriculturists and profits should be proportionately distributed among the shareholders.

There is a great necessity of pucca roads for traffic. In the absence of pucca roads the agriculturists have to sell their grain at cheaper rates to rural traders, at the advent of rains.

There is difference between the indigenous and foreign trade because for the facility of foreign trade railway communications are provided for and these facilities are increasing every year, whereas for the facility of the agriculturists even good roads are not provided.

There is no help of any kind in transporting produce after harvesting field to sell in the market.

For internal remittances hundis, money orders, registered letters, telegraphic money orders and Imperial Bank are used to a great extent.

There are no defects in the existing system. Hundis, money order and registry systems are very common in these days.

There are two kinds of hundis in use :—

(1) Hundi at sight. (2) Hundi at date.

Hundis are issued for local purposes and they are also sent outside.

There are possibilities of operating licensed warehouses on the lines of the system which exists in the United States of America. Government should render financial assistance in the matter.

QUESTION 4.—For the mortgage or sale of occupancy holdings consent of malguzar is necessary. This causes great inconvenience to agriculturists.

MR. FAKIR MOHAMMAD.

CHODHARI KANHAYALAL, Malguzar, Manakchowk, Saugor.

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

Reply to the Questionnaire.

(D) (a) Agriculturists in my district borrow money and grain from money-lenders for purchase of bullocks, cultivation charges and khawai. (b) No permanent improvements is made in the village. Nobody borrows money for it. Seed is taken on sawai system from money-lenders.

(c) In a bad year rent falls in arrears. People carry on their work by borrowing from money-lenders and several persons take taccavi loans from Government and waste them in useless works.

In my province the rate of interest is annas 8 to Rs. 2 per cent. Usually debt is taken for a year but as it is not repaid, it continues for years. No security of any kind is taken here. It is not the custom to take loan on security of standing crops. There is no condition attaching to cash loans, but at times cattle are mortgaged. Besides the sowcars and a co-operative bank there is no bank at this place. The working of the co-operative banks is not good and those who have taken loans from it have been entirely ruined.

Seed is given here on sawai and there is no other system. There is no defect in the present system. There is no effect of taking advance on the sale of the produce. Agriculturists cart their grain and sell it in the market at the current rate.

There is no co-operation between the Government and different organizations granting loans. Government can co-operate by recovering its debt by easy instalments and give an opportunity to poor sowcars to realize their debts first. No money is required from the time of harvesting the crops till they are sold. Grain storage on the lines of the United States of America cannot be started here because prosperity of soil is not so good as in America.

At this place the existing system of selling the harvest is that the Agriculturists take their grain to grain "Mandies" and sell it through commission agents. They get all kinds of facilities there. There is no possibility of forming pools or establishing organizations for the sale of produce because condition of agriculturists is very poor at this place and in a good year an agriculturist after selling the whole of his produce is able to maintain himself and provide himself with clothes. And in bad year he starves. He cannot afford to store his grain with a view to get better price. In order to market their produce agriculturists require good roads. They do not require any other facility. At the harvesting charges are paid in kind, no financial help is either taken or necessary at that time.

Post offices and Government treasuries provide the necessary facilities for inland remittance. Commission charges on money orders and telegraphic money orders should be reduced. With the introduction of telegraphic transfer, hundis are getting out of use.

There are two kinds of hundis prevalent here, one is payable at sight and the other is payable after a fixed period.

Hundis drawn in my district are not cashed in the district. They are sent out and cashed through commission agents.

In the Saugor tahsil land is sold (sub-let) at the rate of Rs. 3 to Rs. 6 per acre. Nobody takes land by paying money in advance. Agriculturists purchase land on the promise of paying the amount in *Baisakh*; if the crop is good the amount is paid off but if it fails the owner of land does not get the price.

There is legal restriction in this province to mortgage occupancy land, and absolute occupancy land can be transferred only with the permission of the malguzar. This is a great handicap. There are no banks in this province to mortgage land. Mahajani Banks can be opened but there is little hope of their success because the condition of agriculturist is very bad and tenants and malguzars who mortgage their land or village fail to redeem them in most cases. It is easy to take land in debt but it is difficult to profitably sell it to others because agriculturists have not got money.

CHODHARI KANHAYALAL.

In the remarks column of the Patwari papers encumbrances should be entered.

In this district banks cannot prosper. Even the co-operative bank here is not in a good condition and those agriculturists who borrowed money from it are entirely ruined. Several sowkars have disappeared and are disappearing because this district is very poor. Debts are not repaid for several years. In this district very few persons can save money with great difficulty and it is difficult to sell debenture bonds. The cause of indebtedness is the poverty of agriculturists. The productivity of soil is low and agriculturists have to purchase everything, bullocks, cloth, salt, gur, oil, etc., and incur expenses on marriages, etc., for which they require money. It is therefore their expenses are more than their earnings and that is the reason of their heavy indebtedness. There is no other source of income except agriculture and therefore they are dependent all the year round on the produce of their fields. They get produce only once in a year and their expenses are going on all the twelve months. The second reason is extravagance. The rate of interest is 8 annas to Rs. 2 per cent. It depends on the amount borrowed and the status of the borrower is good when 12 annas or Rs. 1 per cent interest is charged but if it is not, a little more interest is charged. Account is settled once a year and if a person pays money within a year then he has to pay interest for the period he had the money with him. It is however necessary that the rate of interest and badi should be fixed by law because many sowcars on account of their influence do what they like and plunder foolish and simple agriculturists. As the malguzars and sowcars are becoming bankrupt so are the agriculturists. Agriculturists have been ruined on account of the failure of crops, want of supervision of their work, for not cultivating fields at the right time and for not sowing crops at the proper time. The crops therefore fail and they are therefore unable to repay debt and thus they are deeply buried in debt. They show greater interest day by day in agriculture so that they may be able to repay debt. There are several other reasons for this. The first is that if produce is good a sowcar can fix instalments without interest; second he can extend the period of payment; third it is absolutely necessary to maintain one's self; fourth if the outturn is good then general condition remains good.

The truth is that agricultural demonstration farms are mere farse. They cannot do any good to the agriculturists. Nor have the agriculturists money to improve their land. Besides this the rent which is at present fixed is excessive and for that reason agriculturists have lost their hearts to improve their lands.

QUESTION 6.—There are no industries subsidiary to agriculture. If encouragement is given for the cultivation of cotton, several works can be opened, e.g., carding of cotton, mills, etc. Agriculturists will then get labour for eight months. In their spare time agriculturists can supplement their earnings by spinning cotton, preparing mattinga, Dari making, cloth weaving, basket making, etc. There is no necessity to borrow money for these purposes and if there be any, there are enough facilities for them.

For sales, an agriculturist union be formed. It will purchase yarn and cloth at reasonable rate from the agriculturists and sell it at the best market. The profits be given to the agriculturists. Government will have to advance money at first for this purpose because in this country there are not persons who will be ready to make any sacrifice for the good of the people and advance money without interest or on low rate of interest. After sometime when the condition of such Associations improve mahajans and sowcars will also lend money on low rate of interest and then the Government can withdraw its support.

Part II.—Indigenous money-lending.

There is no uniformity in the dealings of mahajans. Ways of doing business differ from mahajan to mahajan. One thing which is common to most of them is want of sympathy for their clients. They are extremely selfish and their dealings are not always fair.

QUESTION 5.—The mahajans of the place generally lend money on bonds, sarkata, hand notes, and on signatures on daily account book. There is no limit to which debt can be advanced. If a person is worth Rs. 500, he will be given a loan up to Rs. 1,000. At the time of recovery they get 4 annas or 2 annas

CHOUHARI KANHAYALAL.

out of a rupee. Thus the mahajans ruin themselves and their clients. The mahajan advances money in the hope of recovering it but at times their hopes prove false. The mahajans of this place meet the demand from their own capital or by borrowing from others. They give 8 annas to 12 annas per cent on the deposit.

In this place, cash loans are paid in cash and grain loans in grain. Cultivators are not required to sell their produce through their sowcars. They sell it at the price they like and pay off the sowcar. The interest on cash loans is from 12 annas to Rs. 2 per cent. Sawai badi is taken on grain advances. There are only two ways to reduce the rate of interest—(1) Government or bank may lend money to agriculturists on reduced rate of interest. (2) The reduced rate of interest be fixed by the law. If the rate of interest is reduced, there is some possibility of debts being paid off. I cannot see how the income can be increased or the mode of living improved.

The law does not provide any facilities to the indigenous banker. If he demands his money back, provisions of the Indian Penal Code stare him in the face. They should be given all the facilities enjoyed by banks. Taking into account bad debts and cost of litigation the net profit to the mahajan is nil and several mahajans have gone bankrupt. In my opinion looking to the condition of the agriculturists there cannot be any change in the system of money-lending. It may be said that occupancy tenant may be given absolute occupancy right so that credits of tenants may be raised but the result will be still worse. At present they cannot sell their occupancy land and if the debt is heavy, the sowkar (if he is a *malguzar*) is obliged to take his land on lease for some years. The debtor remains as a tenant and the debt is also paid. In the case of absolute occupancy tenants they will at once be ousted from their lands.

Part III.—Investment Habit,

The existing sources are at present mahajan and co-operative banks but agriculturists make very little use of it. There is no method at present to encourage saving of money. If any person saves money then he starts money-lending and in two or four years he loses it.

There is no facility to invest money except in money-lending business. There is a habit of purchasing gold and silver but it has decreased. People invest money in gold and silver because money deposited with mahajans is not considered safe and also because the hoarded gold and silver is useful in times of need. If an institute having the confidence of the people is started, people will certainly take advantage of it. Postal certificates are not popular in my district because at the time of war people purchased postal certificates, most of which could not be cashed and those which were cashed were cashed with great difficulty. People are therefore afraid ever since to invest money in postal cash certificates. If the interest paid on them is increased and if facilities for cashing are increased people will be encouraged to purchase them. Excepting a few Government servants nobody knows about savings bank. Moreover, they are at so great a distance from villages that people find it difficult to take advantage of them. Saving bank at Saugor is at 20 miles from any village. If any one wants to deposit Rs. 28 he must spend one day for going and one day for coming. To withdraw he will require the same number of days. The same will happen for further deposit. He will therefore spend all interest in coming and going, i.e., there is no prospect of getting any profit out of these banks. It is therefore a few Government servants who deposit money in these banks. These banks should be multiplied so that people may be able to go to them without much difficulty.

In my district the money which the agriculturists get by sale of their produce is either utilized for purchase of gold and silver or in *sowkari*. There may be one or more persons in a village who bury it under ground.

A well-to-do tenant lends money to his less fortunate brother. No condition is attached to these loans.

Law of partition amongst Hindus operates harshly against the members of the community. If a man owing Rs. 100 has got four sons, each get Rs. 25 at his death. Similarly landed property is divided and I have known people holding a 2 *pie* share in a village. This is a potent cause of poverty. If the law of primogeniture is enacted in India people are bound to improve materially.

CHOUHARI KANHYALAL.

**MR. SHEOPRASAD MALVIYA, Proprietor, of the firm
of Messrs. Hiralal Tikaram, Saugor.**

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

Reply to the Questionnaire.

QUESTION I.—Agriculturists in this district generally take loans and grain advances for agricultural purposes, for capital and practically for all other purposes from indigenous bankers of a village, tahsil or district and from malguzars.

In this district the rates of interest vary from Rs. 12 to Rs. 24 per cent per annum on cash loans and on grain advances 25 per cent badi is charged. These rates are charged for loans without security.

Very few agriculturists obtain loans on security or mortgage of land. On such kind of loan the rate of interest charged is from Rs. 9 to Rs. 12 per cent per annum.

There are some agriculturists who pay interest at Rs. 37-8-0 or Rs. 75 per cent per annum on the loans obtained from Pathans whose methods of recovery are very cruel.

The agriculturists generally obtain loans for their requirements from indigenous bankers of a village or district and malguzars. The Government or any other bank does not generally advance loans to them.

The Government and other banks do not in the first place advance loans without security and even when they advance it is through a very troublesome process and through the kindness or favour of officers concerned. But in repayment of such loans agriculturists have to undergo great losses as majority of them in the present condition are not able to repay loans for generations. Their income from agriculture even if satisfactory, is not enough for their needs and they are always anxious to pay land revenue which is out of all proportions. At present the average income of an individual is not more than one anna per day. If the Government were really actuated by a sincere desire and makes an honest effort the condition of agriculturists can be improved, otherwise they are doomed.

In this district the capital invested by malguzars, money-lenders and indigenous bankers in the loans advanced to agriculturists can be estimated at 50 lakhs of which grain advances are worth 25 lakhs.

There are the following defects in the present system :—

(a) The rate of interest and badhi on grain advances payable by agriculturists are too heavy and if for some reason there is a default in its payment they have to pay compound interest and extra profit.

(b) They do not get any kind of help from anybody to avoid failure of crops losses.

(c) Borrowed seed is generally of a bad quality. For want of manure productive capacity of land has practically come to a standstill which is evident from the fact that the land which is well manured fields four times the seed sown when condition of crops is good.

(d) There is no arrangement for irrigating fields in the absence of rains.

(e) Rent assessed on land is extremely exorbitant.

(f) There is total absence of agricultural education.

(g) For want of proper feeding agricultural cattle have become very weak and hence fields cannot be properly cultivated.

Remedies for removing of these defects are :—

(1) The Government should supply seeds of good quality for sowing purposes through their officer at cheaper cost and at low rate of interest.

(2) There should be proper arrangement for irrigation of fields.

(3) Facilities should be given for collection of manure at cheapest possible rates and for thriving it in fields.

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(4) The forest tax on pastures and for cutting wood required for agricultural purposes should be altogether abolished and facilities should be given for breeding strong bullocks.

(5) Arrangements should be made for giving proper agricultural education to children of the agriculturists.

(6) The agriculturists should be given encouragement and help to produce vegetables, fruits, cotton, etc., etc., according to quality of their soil.

(Note.—At present any help in the shape of machinery would prove fatal.)

There are no other credit agencies except the indigenous bankers, the *malguzars* and to a certain extent the Government. There is just one small bank which exists in name only and the help rendered by this bank to agriculturists is negligible.

QUESTION 2.—The method of marketing principal crops in this district is that the crops when they are ready are brought to headquarters of the district where they are purchased by merchants and sent out by rail. Some stocks of grain is kept at the headquarters according as it may be necessary.

The crops in this district always fetch their proper price as the sale is conducted on auction system by regular bidding and there can be no better system than this. Moreover, the produce of crops is seldom more than the requirement.

There is no need of forming pools in marketing as the customers are always available. Such pools are however necessary in foreign countries.

No credit facilities other than the existing ones are necessary at present for financing products during marketing.

The marketing of produce in foreign countries on co-operative basis may yield more price but the success of this method depends on the co-operation of good and experienced merchants.

In the process of marketing the agriculturists get some help from indigenous bankers and dealers. In case of good harvest if there is a large amount of produce for sale and the rates are low for want of money with the purchasers, these people advance loans to the extent of 80 per cent of produce at an interest varying from 9 to 12 per cent per annum.

There is not a single good bank in this district and under the existing condition there is little or no hope of any profit to public from the banks. The Imperial Bank of India sought the help of local merchants for opening its branches here but as conditions of the bank are very strict and improper which would afford no benefit whatsoever, the merchants here refused to co-operate with it.

For internal remittances merchants here afford all necessary facilities. The import and export trade of the place being almost equal there is no difficulty experienced in respect of such remittances. If in any month there is some difference in the internal and external trade, the currency notes serve the purpose all right. In this respect the rules of the Government treasury are however very deplorable, as in these treasuries the exchange of notes for rupees and *vice versa* being well nigh difficult the merchants have to depend on some indigenous bankers or shopkeepers for the purpose. In this process the discount on notes at 1 or 2 annas per cent has to be paid sometimes. The partialities observed in treasuries in this respect are absolutely unjustifiable.

The remittance of money is facilitated to a certain extent by control of treasury over currency.

In this district the different kinds of instruments employed for raising money during the process of marketing are hundis at sight, bonds and notes. There is no profit possible even if there were a bank in case of the rates going down or rising up as much fluctuations are not very marked. Generally the rates of hundis and bonds are like those of the bank.

In this district only the hundis at sight are in vogue; hundis at date are not used at all.

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QUESTION 3.—In this district the value of land per acre for different kinds of crops is as follows; the rent of land has to be paid by the owners:—

Kind of land.	Rent.	Price in good times.	Present price.
1	2	3	4
	Per acre. Rs. a. p.	Per acre. Rs. a. p.	Per acre. Rs. a. p.
Mar-land	2 0 0	5 0 0	2 8 0
Mund (first and second class)	1 0 0	2 8 0	1 4 0
Ratia	0 4 0	1 0 0	0 8 0
Dhanakharia	0 8 0	2 8 0	1 4 0
Dufasali	3 0 0	6 0 0	3 0 0
Raiya	0 4 0	1 0 0	0 8 0

The occupancy land cannot be given in cultivation to a sub-tenant for a period for more than a year hence the tenant does not look to its improvement and in a few years the land deteriorates and its value goes down. In respect of lands of other rights also there can be no proper improvement owing to heavy rent, low produce, weakness of bullocks and difficulties of pasture land. In order to effect improvement of land there is need for legislation to allow lease of occupancy land for 10 years.

(a) For non-payment of rent occupancy land passes into the hands of the malguzar and thus for only a small amount lands of higher value go out of the hands of cultivators.

(b) The lands that are auctioned in the event of sale by court decree also do not fetch their proper value as these auctions particularly take place in a tahsil or district place. If lands of each village were auctioned in the village itself it would certainly fetch up to 50 per cent more.

(c) Value of land in purchase by private negotiation fetches 50 per cent more than the price in auction.

QUESTION 4.—There is legal impediment to mortgage occupancy land only, which is more beneficial to agriculturists of such land. It can neither be auctioned nor attached. There are no land mortgage banks for provision of long-term credit in this district.

(a) There should be banks for grant of loans on easy terms for each district with their branches in each tahsil and their management should be in the hands of the district councils and the local boards.

(b) Or there should be a bank in each district with share capital, and its branches opened in each tahsil, and the Government should guarantee interest on their share capital at least at 6 per cent per year. The Government should also contribute an amount equal to the share capital of such banks free of interest. 50 per cent of the directors of this bank should be appointed by the Government and another 50 per cent by the district councils and the local boards.

The patwari should keep a record of mortgage in respect of lands in the villages under his charge. For this purpose he should keep a register for each village in which the number of land, the rent thereof, the trees, etc., standing thereon, should be recorded just as they are recorded in the records of rights.

(b) The directors of such a bank will be able to compile this information properly.

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(c) In order to inspect the record of rights or obtain a copy thereof, the patwari should be given 1 anna in stamp or cash, for which he should pass an acknowledgment to the party concerned. The bank should have the right to sue its clients on account of defaults on a process fee of 8 annas per suit irrespective of the amount of the suit so as to reduce the burden on its good constituents.

The working capital of the proposed mortgage bank should be derived from—

(1) Government money.

(2) (a) By the capital of shareholders with an equal amount from Government without interest (for the capital of the shareholders there should be a Government guarantee of at least 6 per cent per annum) and by private deposits.

(b) By deposits (with interest).

(c) By debenture bonds.

If the debenture bonds carry Government guarantee both for principal and interest the work of the bank would go on satisfactorily. To secure Government against unnecessary loss a proper and experienced manager would be necessary.

The inclusion or otherwise of the debentures issued by the land mortgage bank in the list of trustee securities should be left to the discretion of the directors of the bank.

The raising of funds by agricultural mortgage bank on Government security would be more beneficial as it would secure public confidence. Such people as contribute towards the raising of this capital should be advanced loans, on nominal interest, according to the quality of their land and there should be facility of repayment by instalments. The rates of interest for amounts repayable within one year at Rs. 6 per cent per annum and for longer terms at Rs. 7-8-0 per cent would be quite sufficient.

For the adequate provision of long-term credit against sound security Government guarantee alone is sufficient.

QUESTION 5.—An estimate of the existing indebtedness of the agricultural class can be easily reached by the managers of the bank in co-operation with the patwaris.

For our district such an estimate can be fixed at 50 lakhs and for an average village in this district it may be from Rs. 500 to Rs. 50,000.

Such an estimate can be obtained with reasonable accuracy through malguzars, the village headmen, patwaris and records of registration in the tahsil offices.

The purposes for which the debt was incurred are generally—

- (a) for repayment of earlier debts,
- (b) for marriage and other social occasions,
- (c) for famine and other kinds of distress,
- (d) for payment of land revenue and rent,
- (e) for seeds and manure, and
- (f) for purchase of land and bringing into cultivation fallow lands.

For improved agricultural implements and for sinking of wells and agricultural improvements the amount of debts taken is very small.

Such debt is largely due to the indigenous bankers and professional money-lenders without any security or mortgage of land.

The amount of loan grows by compound interest for non-payment of interest. In such cases the accounts are settled by renewal of bonds, etc. In compound interest majority of cultivators have to pay double or treble the original amount of debt.

Among other causes of indebtedness may be cited the absence of any facilities for improvement of land, inadequate supply of seed in times of need or supply of bad quality, infection of crops by some kind of disease, absence of manuring and scarcity of rain, etc.

The rate of interest charged on such debts is from Rs. 12 to Rs. 18 or Rs. 24 per cent per annum. In some cases the rate of interest is Rs. 6 to Rs. 9 per cent per annum on proper security of land or other property, while in others this rate goes up to Rs. 37-8-0 or Rs. 75 per cent per annum as has been described in reply to question No. 1 above. The bankers calculate interest in

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their own way and the agriculturists accept it blindly. The repayment of debt is made voluntarily without any hitch by the agriculturists when crops are good. When, however, the crops fail and consequently there is no hope of repayment it is either recovered by filing a suit or from the produce of any future crop.

A number of people who are either efficient or ordinary farmers, are being turned into tenants for a period or tenants-at-will through enforcement of payment of old debts and the landed property is passing into the hands of creditors. In this way improvement of land has practically stopped and tenants are not sure that they would get the land for cultivation for the next year. If he were to improve the land in any way he has either to pay larger amounts by way of return or if he cannot stand the competition he has to give up the land and thus forego the amount spent on its improvement. For instance, the land in the Saugor Cantonment area, on the improvement of which large amounts of money have been spent by tenants having been auctioned out, their labour and money have been wasted.

In irrigated tracts possibility of famine is very rare. In our parts, however, in absence of any arrangement of irrigation the famine is almost an outstanding feature. When the crop condition in non-irrigated areas is regarded to be satisfactory the Punjabis would regard it as famine, consequently the famine condition has to be regarded as a satisfactory one in non-irrigated tracts.

By this process the incentive from the actual cultivator to produce more and in an efficient manner has been completely taken away.

QUESTION 6.—In this district there is not a single industry of the kind indicated in this question. In the towns there are some garden producing industries as well as spinning and hand weaving industries which exist in name only. In order to encourage such industries it is very necessary to increase the produce of cotton. Although there are many industries which could be done along with agriculture or in the spare time by the agriculturists yet owing to high rent the unsatisfactory product and the weak physique of the agriculturists they do not feel encouraged to take them up. Before engaging the agriculturists in any such industries efforts must be made to increase their income and relieve the indebtedness by encouraging them to grow more cotton and giving them the necessary training in that behalf. If on the increased product there is no adequate return for it in the market the question could be tackled later on. At present the product of land has so much gone down owing to decrease in the producing capacity of the land that even well established foreign firms like Messrs. Sunday, Lovis Dross, Ralli Brothers, Volkart Brothers have been obliged to close down their agencies from the towns.

In order to enable the agriculturist to supplement his income and to raise his standard of living by utilizing his spare time in other industries it is necessary to give him capital, encouragement, education and advice in the matter. There are no credit facilities of any kind existing for such industries.

The best method of securing working capital for such enterprise would be the establishment of a co-operative bank of which half the capital should be contributed by the Government without any interest thereon. This would automatically afford proper marketing facilities to them.

For this purpose savings of people deposited with Government and the money contributed by the shareholder would be enough. The management must however be in the hands of the best selected persons.

QUESTION 7.—There are no Imperial Bank, joint stock bank or any other indigenous banks in this district which can have any relation with the co-operative bank.

There are no co-operative societies either whose difficulties in the matter of finance both in regard to short and long-term capital could be described. There is just a small bank but nobody knows anything about its existence as its affairs are conducted by inexperienced men.

If there is a co-operative bank established in the district the financing of co-operative societies could be done in 25 lakhs only. Half of this capital should be advanced by Government without interest or even a guarantee of 6 per cent per annum on the shareholders capital would do.

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In the absence of any banks in the district there is no competition whatsoever. The extension of special exemption from income-tax to genuine co-operative societies and the inclusion of debentures issued by Provincial Co-operative Bank in the list of trustee securities in order to stimulate the growth of the co-operative movement will be desirable.

The financial needs of the agriculturists, the small traders and industrialists in this district are met by the indigenous bankers and the professional money-lenders only.

We do not know anything about the Usurious Loans Act.

We are likewise ignorant about the English Money-lenders Act and the proposed Money-lenders Bill for the Punjab.

The financing of primary societies should be done by the Government.

Part II—Indigenous Banking.

QUESTION 1.—In this district the indigenous bankers advance loans agriculturists without security or mortgage at a rate of interest varying from Rs. 9 to Rs. 24 per cent per annum according to their credit and status. Grain advances are given at a maximum rate of Rs. 25 per cent. If no repayments are made within the stipulated time the money and grain with interest thereon are recovered in the next season or the bonds are renewed. Such of the agriculturists as do not agree to this arrangement nor pay in spite of their having the money to do so are proceeded against in the civil courts.

On mortgage loans the rate of interest is Rs. 9 to Rs. 12 per cent per annum; no loans are given on personal security.

The transactions between one banker and another and those between the good merchants are done on Rs. 6 per cent per annum without security, etc.

QUESTION 2.—The indigenous bankers in this district assist in financing agriculture, trade and industries by advancing them loans without security according to their credit and honesty. Even when the first loan is not repaid they advance another loan beyond the capacity of the debtors in order to enable him to produce money for repayment of the earlier debts. Such loans are given continuously for three years.

QUESTION 3.—(a) The indigenous bankers invest capital in their business in accordance with the banking system. They invest as much money as they earn in their business and do not keep much with them.

(b) Their business is to a great extent confined to their own villages and the villages near about. Some have their business spread throughout the tahsil but beyond the tahsil they seldom do any business. Of course the merchants traders, shopkeepers and brokers have their business extended even beyond the district.

(c) The expenses of the business are only a munim or agent whose pay is from Rs. 20 to Rs. 50 per month. Other work of a miscellaneous nature is done by the relatives or dependants of the bankers.

(d) The transactions between one banker and another are with 6 per cent per annum interest without any security. They have no concern with any bank nor can the banker derive any profit from the bank.

(e) Under the existing rules of the Imperial Bank the indigenous bankers cannot hope to derive any benefit from the bank for the bank does not advance money even to the well-to-do persons without any security.

QUESTION 4.—The hundis at sight used in this district have no concern with the loan transactions. The indigenous bankers dealing with a fellow banker and the dealings between one merchant and another take place on promissory notes only. The dealings between the indigenous bankers and the agriculturists are done through promissory notes and bonds.

Samples of promissory note.

Promissory note written by _____

Hand note

(resident) of _____ in favour of _____

(resident) of _____ that I have borrowed from you today
Rs. _____ which along with interest thereon at Rs. _____

per cent per mensem will be returned to you for which this hand note is given so
that you may have a proof thereof.



Dated the

Signature.

Stamp.

In the bond the specific stipulation of repayment as well as the purpose for which the loan is taken and the terms of repayment, etc., are mentioned.

QUESTION 5.—The indigenous banker advances loans to his clients on bonds and promissory notes, etc. The client of one banker can obtain loan from another banker also. There is nothing to prevent such transactions.

The indigenous bankers provide themselves with funds to meet their demands by obtaining loans from fellow-bankers either personally or through the brokers.

On the various kinds of deposits received by them they allow interest at Rs. 6 per cent per annum.

Such of the indigenous bankers as do any other business along with money-lending never force their debtors to accept articles in lieu of cash. Only in the case of grain advances loans are given in kind but they are also returned in kind.

Majority of debtors sell their produce themselves and pay off their debts.

QUESTION 6.—The indigenous bankers these days charge the agriculturists interest at Rs. 12 to Rs. 24 per cent per annum on loans without security. For loans taken in kind 25 per cent more has to be paid. (It is wonderful how the same question has been asked repeatedly.)

The manner in which these rates could be brought down has been completely discussed above.

The reduction of such rates would certainly confer a great benefit on the agricultural community and increase its resources thereby enabling them to pay off earlier debts and spend more on agricultural improvement. The purchase of improved pattern of foreign implements at present would prove injurious to them.

QUESTION 7.—There is very little prejudice in our locality against the indigenous bankers (such of them as charge an exorbitant rate of interest).

These bankers are not at all protected in law.

If any legal facilities could be given to these bankers they should be given to such of them as charge lesser interest.

The dealings of this class of bankers are generally conducted on sound lines but the dealings of the bankers who charge higher rates of interest are not so.

Agriculturists whose condition is not satisfactory do not get any loans from good bankers. They are therefore obliged to take loans from such bankers whose dealings are not sound. To such debtors as are unable to pay off their loans owing to heavy rates of interest thereon, the co-operative bank should advance loans at a cheaper rate of interest, according to their assets for the improvement of their economic and physical conditions. Besides this there are items of land revenue, agricultural education, etc., etc., about which much has been said already.

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QUESTION 8.—The question is ambiguous because in the foregoing questions information is asked about the indigenous bankers while here it is about the banks. If by banks bankers are meant then it is impossible to expect these banks being more serviceable to the people.

The indigenous banking system in India could be improved and consolidated by means of the co-operative banks and with Government guarantee.

As regards the special facilities to be given to this class for this purpose much has been said in reply to the foregoing questions. In addition to that there should be reduction in the stamp and registration fees.

The general system of accounts keeping is dependent on the good will of the bankers. Besides the stamps and promissory notes the accounts are written in the books specially maintained for the purpose. There are, however, no facilities for the customers to inspect or verify these accounts.

For the introduction of any measures for regulating their operations and giving publicity to the same the Government should call a joint meeting of the indigenous bankers where the question should be thoroughly discussed.

QUESTION 9.—After making allowance for the legal expenses, management charges, losses through defaults and through foreclosure the net return to the indigenous banks and bankers may be Rs. 7-8-0 per cent per annum.

QUESTION 10.—The indigenous bankers are able to meet majority of demands for accommodation whether there is security or not for in this district lands being mostly on occupancy rights, their security is legally null and void.

But in the present conditions when there is failure of crops continuously for the last two years and the recovery of their money having fallen considerably they will not be able to meet any demands for a number of years to come. Owing to reduction of their capital they are compelled to refuse payments. Owing to the loss of their large amount of their money by continuous failure of crops the insolvency of the agriculturists and the difficulty in respect of repayment for failure of crops, these bankers have become doubtful in their belief.

QUESTION 11.—The present condition is not ripe for linking up of the indigenous banking system with the central money market and provincial capitals. In each district there should be a branch of a joint stock bank, a central reserve bank, a local bank with local directorate and the indigenous banking system may be connected with them. This would certainly afford some benefit to the agriculturists.

In order that such banks should inspire confidence of the indigenous bankers and be able to utilize the local knowledge and experience of the latter, the prominent and able among these being bankers should be appointed as directors or president of the bank and its working should be conducted with Government security. In our opinion there is little chance of any competition of such a bank with the indigenous bankers.

QUESTION 12.—To our mind it does not appear that there is a large amount of money in the districts in the hands of indigenous bankers which does not find employment throughout the year. If at all such amounts are very few but generally the money is employed in business. Of course, there are some people, no doubt, who either through want of confidence or ignorance or out of desire not to expose their position or condition keep their money buried underground. But it will be found that people who belong to the lower status only do such a thing.

The money from this district does not at all flow into provincial capital because the people have not got money enough for the purpose. In the big cities however some savings of people are employed in the provincial capital (viz., shares, etc.).

In order that these funds instead of flowing to the provincial capital would find remunerative employment in the districts and thereby benefit the districts, a co-operative or local bank should be established and the remedies suggested on page 603 should be given effect to and facilities for opening sugar, gur and cotton industries should be given.

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Part III—Investment habit and attraction for capital.

QUESTION 1.—In this district a larger amount of money-lending is done by the indigenous bankers.

The question about additional capital is not clear to us.

The condition of the district is not such as to need any encouragement for saving and investment habit. In cities whatever money the people can save is either deposited in the savings banks or with other merchants and with indigenous bankers. About the improvement of the existing facilities much has already been said; the extension of the existing facilities to the smaller interior places is an impossibility.

The habit of the people of this district to invest the gold and silver has practically disappeared owing to increase of rent, deterioration in the yielding capacity of land and the absence of money as a result of continuous failure of crops. At the present moment a large amount of gold and silver is flowing from villages to town markets for sale, from there it is sent to central markets of the district.

QUESTION 2.—The postal cash certificates are not at all popular. Had the people enough money steps could be suggested to increase their popularity but in the absence of money nothing can be done.

If the rate of interest on cash certificates are revised and brought to the old level, it may increase their sale in the towns but nothing can be done at present in the mofussil.

It is the men in service, pleaders, doctors, etc., in the towns that resort to savings banks. The villagers find no facilities in them.

When the other classes have got no extra money to invest at such a low rate of interest no amount of measures can be successful to attract them.

The rates of interest on postal cash certificates and treasury bills are not attractive for this district. But in other wealthier towns such a competition can arise and the indigenous banks and bankers would sustain some losses by the increase in rates of interest. In this way the foreign banks would derive larger benefit. In our opinion the establishment of a State bank would perhaps do away with this competition. We are, however, unable to say more on this subject for want of experience.

QUESTION 3.—To advise the small agriculturists to purchase Government securities by borrowing money from others would be disastrous. If they have any extra money they can be given such advice.

To advise the purchase or sale of any other securities than the Government securities would be equally disastrous.

In this district the money that comes to the hands of the agriculturists by sale of their produce is utilized mainly on their agricultural and personal expenditure and the Government land revenue. They are required even to go in for loans for such purposes as this money is not enough to meet their requirements. If by various groups of people the indigenous bankers and money-lenders are indicated, they generally deposit their extra money with the respectable merchants and withdraw it whenever they like. There is a tendency towards hoarding when the people have any extra money after meeting expenses on agriculture, their personal requirements and the payment of Government rents. Some malguzars, indigenous bankers and money-lenders can save money no doubt which they deposit with the respectable merchants.

The farmers do not generally lend to fellow agriculturists. They utilize their surplus money in a prosperous year to pay off their old debts (the question regarding the amount, growth and distribution of capital among the indigenous population is not clear to us).

QUESTION 4.—The cheque habit has grown among merchants and shopkeepers. This does not in any way affect the disposal and prices of the agriculture produce.

The abolition of stamp duty on cheques and hundia has facilitated their use to a certain extent.

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It is the merchant classes and banks who deal in cheques. The payment of Government servants and bank employees above Rs. 100 by cheques appears to be all right. The use of vernacular script in banking in its present form is advantageous. Any innovation for the use of any special script is likely to do harm.

QUESTION 5.—To support the view that the banking and investment habit in India is of very slow growth, the illiteracy of the people is responsible.

Suggestions regarding the various possible means of educating the agriculturists to invest their saving in productive undertakings have already been made on page 598.

The result of the opening of the new branches of the Imperial Bank of India has been to benefit the foreign companies to a large extent. In fact these new branches are opened for their benefit only.

Supplementary questions.

QUESTION 1.—There are no banks or bankers or any companies for the facility of export trade in this district.

(a) Although the grain from this district goes to foreign countries in large quantities the arrangement of their export is in the hands of the Bombay merchants and companies who derive real benefit from them.

(b) The agriculturists and petty traders of the villages generally bring the goods for sale in the markets. In the absence of any elected representative of merchants they have to undergo a great deal of trouble and expenditure by way of town duty, etc., in the export and import of their goods. The tendency of the municipality is always to ruin the merchants and its methods are even against the spirit of the Municipal Act.

(c) The indigenous banks, bankers or companies do not render any assistance in the import trade of the district.

It has been often observed that the railway freight and port duty on articles of export are lesser than those on articles sent from one place to another within the country. For this reason goods are generally sent to the seaports. The goods which can be disposed of in a seaport are charged heavily while foreign companies are given all possible facilities for the sale of their goods in the Indian markets. Their goods are sent carefully in good compartments from which it is clear that the railway companies give all help to foreign companies. The indigenous merchants have to undergo great difficulty in all matters. Their goods are generally put in bad compartments and in spite of their packing being carefully done it is written in the risk notes on them that the packings are bad, the grain, etc., is leaking, or that the tins are bad and broken and there is risk of the goods being spoiled, etc., whereby the railway servants get an opportunity of robbing the goods. We have got a big ghee market in Saugor and it is generally exported for sale. The railway company carelessly stocks the tins in the bad compartments and the number of tins put in one compartment is so large that there is always a loss to the exporter thereof. It is hardly necessary to write how very costly a commodity ghee is. On the other hand, the kerosene oil tins imported from foreign countries are handled so very carefully that there is no loss on them whatsoever. The railway officials are so much used to tipping that for every trip they have to be paid something. If some body has any dealing with the railway and he does not tip the railway babu, he is put to a lot of trouble and loss. His goods are despatched late and put in the worst possible compartments and carelessly put and taken out of them.

QUESTION 2.—In the export of goods from the chief centre to the market place the indigenous brokers only render some assistance. Financial assistance in trade is given by the indigenous bankers for the export to a port. There is great difficulty as regards sending of goods outside the country for which it is necessary that Government should appoint a trade board. This board should issue a weekly bulletin for the information of the merchants, here as well as near about. This bulletin should contain information as to what kind of articles can be obtained from what places and the manner and rate thereof. Similarly it should give the rate of exchange, the shipment charges and all other expenses in connection therewith.

The information regarding the market places for the indigenous articles and the different kinds of expenses thereon should also be given. The banks should afford all facilities for export of goods.

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QUESTION 3.—It is a proved fact that the producer in India does not get a full return for his goods because the foreign companies doing export business know the fluctuations of rates beforehand. These people practically control the prices of goods. Their offices collect information from all parts of the world as regards the crop conditions there and are therefore well informed as regards the or fall in their rates. The foreigners purchase the goods here when the rates are down and thus no proper price is obtained on them by the sellers. To improve the situation it is necessary, in my opinion, that the Government should appoint a board for the export and import trade of the country. This board should contain some representative of the indigenous merchants and it should issue a weekly report giving therein the rates of all foreign countries in their own currency, the cost of their import and the sources from which the goods could be obtained.

Similarly in respect of export the report should contain all information as regards the ports to which the goods should be sent and the rates prevailing in different trade centres for different kinds of goods through whom they could be sold and the rates thereof, etc., etc.

MR. G. R. WAKHALE, Honorary Secretary, Central Bank, Limited, Saugor.

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

QUESTION 1.—(a) The cultivator often keeps a portion of his produce for meeting out ordinary expenses of cultivation, i.e., his and his family's maintenance for 4 months in rainy-season, weeding and ploughing expenses, etc. But the cultivator also borrows from the local money-lenders whenever such provision falls short of his needs.

(b) The cultivator in this district has generally to borrow capital for purchase of bullocks and that is the chief capital expenditure for him. This need of his is generally met by the local money-lender and the malguzars who are generally money-lenders in the district. Other capital expenditure by way of improvements in land by digging wells or extensive embankments or getting improved implements and machinery is very rare, but in such cases as well the local money-lender's help is generally sought by the cultivator.

(c) The cultivator seeks help and borrows money also for these purposes from the local money-lenders whoever can help them.

The rate of interest on loans depends generally upon the financial position of the man, the amount he borrows and the time for which it is taken. Most of the loans are advanced on the personal security of the man. The rate of interest on loans below Rs. 100 and for less than a year is generally Rs. 2 per cent per month compounding every year. But in some cases the interest on such loans is even 6 pies per rupee per month, i.e., Rs. 3-2-0 per cent per month. On loans above Rs. 100 and for more than a year the rate of interest varies from over Rs. 1 per month to Rs. 2 per month. The practice of advancing loan on the security of standing crops is not generally followed, but sometimes that is taken as a security, when the cultivator is rather heavily indebted over his assets.

Sometimes loans are also taken by the cultivators by subleasing their occupancy lands for a number of years even against the provision of the Central Provinces Tenancy Act. This practice is also adopted by those who are heavily indebted and whose personal credit has been lost. This practice is on the increase.

Loans are also taken on simple and usufructuary mortgages of their transferable interest in land and houses. The rate of interest on these varies between 12 annas per cent per month to Rs. 1-8-0 per cent per month, although even on mortgage security a cultivator is required to pay even Rs. 2 per cent per month interest.

It is sometimes noticed that a money-lender takes some money by way of dharna as an advance interest for a period or some cash. It is sometimes seen that a creditor takes a bond of Rs. 25 while he only advances Rs. 20 and the debtor is required to pay interest on this larger sum and generally does not get credit for this less advance of money. It is also seen that sometimes the money-lender besides the rate of interest agreed upon, get another stipulation in the bond, whereby he levies by way of fine for not paying at the stipulated date. This rate is generally 1 anna per rupee, but sometimes it is even 2 annas per rupee. This is known as Kasar.

The period of loan is generally the next rabi crop which is the chief crop of the district. But loans for shorter and longer periods are also taken. When the loan is accumulated and becomes beyond the assets of the debtor and when hope of its recovery is far distant, the creditors generally take instalment bonds which run over for a number of years, sometimes even 30 to 40 years. Such instalment bonds are generally without interest but on default of instalment interest is stipulated and charged. The loans on instalment bonds are very common in village. Sometimes as a collateral security lands are subleased for the period of the instalment bonds.

In this district there is not a single branch of Imperial Bank of India, nor there are any branches of any joint stock banks. There is only one Co-operative Central Bank whose loan is about Rs. 1,94,000 and has only 66 working societies and about 35 societies under award and liquidation. The number of

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its borrowing members is only over 1,600. There are no companies for supplying improved implements, improved seeds or manures. Nor there is any visible demand for it. The Government help under Agriculturists' Loans Act or Land Improvement Act is also quite insignificant in ordinary years. Help from Government seed farms by way of improved seeds, implements and manure is quite insignificant. From the above mentioned sources the help to the cultivators is really quite insignificant and does bear a very small percentage of the total money taken on loan by the cultivators for their daily expenses of cultivation and other extraordinary expenses.

There are no indigenous banks in the district. All money-lenders and bankers are individual persons. Generally these bankers also do not help the cultivators in finding money for the cultivators. These big bankers and money-lenders who if they are malguzars advance money to their tenants and to some others. These bankers generally advance money to big malguzars on mortgages. The real need of the cultivators is met by local money-lenders in the villages or round about their villages. I consider that over 80 per cent of the cultivators' needs are met by these local money-lenders and malguzars.

It is really very difficult to make an estimate of the capital required for the proper cultivation of the district. This sum is really a very large one. My own idea about this sum is based on the annual cultivation expenses required from village to village which I have seen. Leaving aside the seed for sowing but taking into account a portion of the cultivator and his family's maintenance and other charges, I consider that a village requires annually about 3 to 5 times of its rental collections for proper cultivation. But this is not the total indebtedness of the village. In my opinion not less than 50 lakhs will be the capital required for proper cultivation of the district besides the quantity of seed grain required for sowing.

In my opinion the total cost of seed grain required for the district cannot be less than 50 lakhs. Out of this nearly 50 to 60 per cent belongs to the persons who cultivate land, but the balance is taken by the remaining cultivators from the money-lenders and bankers.

The kharif seed (e.g., paddy-kondon, juar and others) is taken on double Badhi, i.e., 2 times, as its quantity is very small. The cultivator generally prefers to purchase this seed in the market by taking cash loan. The rabi seed is generally taken on Badhi *sawai*, i.e., 1½ times, wheat and gram, while limeed, masur, teora and others are taken on Dedhi Badhi, i.e., 1½ times the amount advanced. But it is also seen that even wheat and grain are taken on Dedhi Badhi, i.e., 1½ times, while other rabi seed is taken on double Badhi, i.e., 2 times. Besides the above Badhi the money-lender charges from 4 pais, i.e., about 2½ seers, to 10 pais, i.e., 6½ seers, for every mani of 5 maunds for storing the grain every Vaishak and Kartik. This is known in the district as Jhari or Chungi. Thus the rate works out at about 30 per cent to 33 per cent per month on the grain loan advanced.

In some cases the creditor imposes the condition on the debtor to make the threshing floor at a place he selects in the village under his strict watch.

The creditor collects his advances and keeps the same in his grain pit or banda. In order to preserve it in rainy weather, the creditor has to put bhusa all around and above it. Some of the creditors, while advancing grain get a portion of bhusa mixed up with the grain and have it distributed to their customers. Similarly some of the debtors also try to deceive their creditors by giving in repayment grain not properly cleaned. Thus both the cultivators and the creditors try to deceive each other. The seed grain is not kept quite clean and of one variety. It is generally of various mixed qualities. Sometimes the creditors advance grain which is partly damaged and this has a bad effect on the outturn.

The main defect in the present system of giving grain on Badhi system is its high rate of interest charged, which leaves much less margin of profit to the cultivator and under which the cultivator cannot improve his financial position. There are also defects in storing the seed grain. The cultivator ought to be taught that he should keep his grain quite pure and best of the kind. The creditor also need to be taught not to advance damaged seed grain.

In my opinion there ought to be village societies, who should store their grain together in a grain pit or banda, and they should be advanced loan on

Mr. G. R. WAKHALE.

the security of stored grain for seed. The amount advanced should be made recoverable in 8 to 10 instalments with a low rate of interest. But proper care must be taken to see that the principal grain loan has been recovered and stored in the grain pit year after year and that it is of purest quality. Such societies have not so far worked well but education and propaganda in this direction is likely to improve matters.

In my opinion there is no co-operation between the Government and the local bankers or between the local bankers themselves. Each one is guided only by self-interest without thinking the least for his fellow business man or the cultivator. Education and propaganda is essential for teaching co-operative principles.

It is also necessary that the Government should come forward to take initiative in opening district and taluq banks, whereby the cultivator may be able to get his money and grain at a cheaper rate. It is the Government's duty to educate the creditors and debtors on co-operative principles so that they may co-operative among themselves and help each other in reducing the high rate of interest. Much of the country's capital remains idle, while the cultivator gets his money at a high rate of interest.

**DADU JUGALKISHORE, Malguzar of Chhapara,
District Seoni.**

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

Reply to the Questionnaire.

QUESTION 1.—In this district agriculturists are financed in the following manner:—

- (a) for expenses during cultivation—
By mortgage of crops or sale of standing crops.
(b) for permanent improvements—
By taccavi loans or from banks.
(c) in failure of monsoon, etc.—
From the bankers.

The rates of interest charged are *sawai* (i.e., 25 per cent) and up to one anna per rupee per month. The period of such loan is 6 months, i.e., up to the next crop. The nature of security is the mortgage or mortgage with possession of the crops.

The part played in agricultural finance by Government, the bank and bankers is to the extent of recovery of the principal advanced with interest thereon.

Grain advances are given on condition of repayment by *sawai* or *dedhi* (i.e., 25 per cent or 50 per cent interest) and it is repaid after calculating its price and interest thereon. These advances are given in the month of December and recovered in the month of June next, i.e., in 7 months only; agriculturists have to pay the grain with full *badi*.

In the existing system as the loan is taken in advance crops are sold at a cheap rate before they are reaped.

The Government should pay its attention for removal of this defect and there is no other alternative.

QUESTION 2.—In this district the present method of marketing principal crops is as follows:

When the produce is brought for sale the agriculturists have to sell it to bankers with whom they have their money dealings at the rates dictated by them. Those agriculturists who are not indebted sell their produce according to market rates and the purchaser's agents weigh or measure them. Retail dealers go to the villages and make their purchases there.

There is great necessity of forming pools and co-operative agencies for marketing produce.

There is great need for repairs of village roads for the export of produce to the market place.

Agriculturists do not get any help from traders to take their goods to market for sale.

For internal remittances hundis, cheques, money orders and insured and registered letters are used. The following is the sample of a hundi:—

Name of place on which hundi is issued.	Name of merchant on whom hundi is issued.
Name of place from which hundi is issued.	Name of merchant by whom hundi is issued.
Name of person giving a hundi	
Amount	Signature
Honour hundi on receipt.	Date

Hundis are of two kinds—(1) hundi at sight and (2) hundi at date. Hundis at sight have to be honoured at once. While hundis at date have to be honoured on the dates mentioned therein.

DADU JUGALKISHORE.

The hundis issued from Chhapara are sold among local kisans and other shopkeepers. They are at times sent to big provincial centres also.

To raise money till the time of selling produce letters and railway receipts are employed.

If licensed warehouses are started in India Government aid will be necessary.

QUESTION 3.—In this district value of black soil land for cotton, juar and rabi crops is Rs. 40 to Rs. 50 per acre; ordinary land producing kodo kutki, etc., Rs. 8 to Rs. 10 per acre.

Land near about a city fetches its proper value in purchase by private negotiation, while in Government auction for non-payment of revenue and in the event of sale by court decree it fetches low price.

QUESTION 4.—(a) The bankers advance money on mortgage of such land as can be mortgaged legally.

For the benefit of malguzars and agriculturists' property protection societies should be established whose function it should be to take charge of property of such malguzars and agriculturists who are heavily indebted. The members of these societies should be such who enjoy confidence of malguzars and agriculturists on the one hand and bankers or decree-holders on the other.

(b) Condition of foreclosure should be removed.

(c) Cost of registration should be reduced and branches of registration offices increased.

QUESTION 5.—In order to increase credit facilities to agriculturists, co-operative societies of 5 members should be opened in addition to existing societies of 10 members.

It should be provided in the rules that the loans may be given to individuals if any person mortgages property worth double or triple the amount of loan. In absence of any such facility loans have to be taken in larger amounts from bankers only.

At compound interest for non-payment of loan in time indebtedness of malguzars and agriculturists has doubled.

The chief reason for increasing indebtedness of this class is that there is none to supervise, to protect or to give timely advice and unfavourable times and uncertain rains also contribute to it.

It is true that on account of recovery of old debts good cultivators are disappearing and their property passing into the hands of money-lenders, they are becoming sub-tenants. Not only that but they are reduced to labourers.

There is a great difference in condition of such tenants and that of those in irrigated tracts and in the areas not generally liable to famine.

If this process goes on it will certainly take away from cultivator the incentive to produce more and to improve cultivation.

QUESTION 6.—In this district there are no subsidiary industries of any kind to agriculture. One cotton ginning factory was started but it is closed since past 3 years. In these days handicraft industry cannot compete with machine product. It is therefore necessary that each village should be supplied on credit small machines for purpose of cotton ginning, weaving, etc., and the people be taught how to work on them. The cost of these machines be recovered by instalments from their income.

QUESTION 7.—I am of opinion that an enactment should be passed whereby money-lenders be under legal obligation to hold a licence for their business and to supply copies of accounts to their debtors.

Part II.—Indigenous Banking.

QUESTION 1.—Bankers in this province do not help malguzars or agriculturists in time of need so as to improve their fallen condition. On the other hand they bring about such a situation so that the latter, obliged under the circumstances, may pay a higher rate of interest and that their property may pass into the hands of creditors.

DANG JUALKISHOR,

QUESTION 5.—The indigenous bankers' methods of granting loans are of three kinds—(1) instalment bond, (2) ordinary stamp and (3) registered mortgage bond. In addition to this there is a fourth method of mortgaging other property such as gold and silver ornaments of the value double the amount of loan. In such dealings there is the condition that if within the stipulated time the amount of the loan with interest thereon is not repaid, the mortgaged property would lapse to the money-lender, who can then turn the ornaments into solid gold or silver and bring it to his own use.

On deposits with these bankers interest is paid from 8 annas to 12 annas per cent per mensem.

For their own benefit such of the money-lenders who, in addition to their money-lending, do such other business as dealing in cloth, grain, grocery, gold and silver, etc., press their customers and debtors to go in for any of these articles instead of cash money. In such transactions interest at *sawai* rate or up to one anna per rupee per month is charged and in default of the instalment of repayment penal interest is charged.

Similarly these money-lenders undertake to sell the agricultural produce of their debtors on commission and thus realize their dues from them.

Government should fix rate of interest and order civil courts not to allow decree for compound interest. The indebted agriculturists can then improve their condition and agriculture.

QUESTION 7.—In this part agriculturists are against indigenous bankers but network of laws keeps their mouth shut. The reason for all this is that the bankers are all educated clever and intelligent, while the agriculturists are simple, uneducated and a poor set of people.

The dealings of bankers with their clients are not good. For their convenience the following are the three suggestions:—

- (1) Decree for recovery of debt in lump sum should not be allowed.
- (2) Interest for the period of scarcity should not be allowed.
- (3) From June to end of September when agriculturists are busy and their crops are raw there should be no execution of decree, because they are put to great inconvenience and loss.

QUESTION 8.—Bankers maintain their account books in the manner they like. They neither show them to their debtors nor they supply them their accounts.

QUESTION 9.—After making allowance for litigation expenses, management charges, losses through default, etc., these bankers can make a net profit of at least 25 per cent annually on their capital.

QUESTION 10.—The indigenous banks and bankers cannot meet all demands. They are never obliged to refuse owing to insufficiency of their working capital but refuse simply to make the debtors more helpless.

QUESTION 11.—In my opinion it is necessary to establish in each district centre branches of a joint stock bank, a Central Reserve Bank or local banks under the supervision of local directorate which could be connected with the local money-lending system.

QUESTION 12.—In my opinion the indigenous bankers save enough money which is lying idle there and is not brought in use.

Part III—Investment habit and attraction for capital.

QUESTION 1.—Many of the existing systems of money-lending in the province have already been described. In addition to these there is one more system by which money-lender advances money to an agriculturist and in its return takes some of his crops at a rate which $1\frac{1}{2}$ times less than the existing price and if at the harvest time the rates go up he gets double profit. Thus all profit of good prices goes to money-lender who advances money on the security of standing crops.

The agriculturists in this province cannot save enough so as to be able to do any joint business with its help.

DART JOHNSON.

QUESTION 2.—It is the Government servants and persons engaged in such other profession who can invest money in the savings banks. The agriculturists cannot do it as they cannot have any savings.

QUESTION 3.—Money that comes into the hands of agriculturists by sale of their produce in good year of harvest is utilized in paying off the debts of the years when the crops had failed and in improving their fallen condition.

QUESTION 4.—In banking concerns simple Hindi vernacular language in Deonagri character should be used so that all persons in the province may be able to read and write.

There should be an arrangement in education that each cultivator may be able to understand from his creditor account of his indebtedness. It should be taught in Hindi Deonagri character. It can be picked up in a year. Besides agriculture some other simple industry may also be taught to the agriculturists so that they may be able to adopt it easily.

The Honorary Secretary, District Bank, Limited, Mandla.

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

Reply to the Questionnaire.

QUESTION 1.—(a) Expenses of cultivation and Khawai are financed by indigenous bankers either in cash or in grain on condition of *sawai* or *dedhi* (with 25 per cent or 50 per cent profit).

(b) From indigenous bankers or by taccavi or from the co-operative bank.

(c) From indigenous bankers of other places or by sale of their property.

Rates of interest vary from Rs. 12 to Rs. 72 per cent per annum. The period of the loan is 5 years but in few places only. Generally the limit is for 3 years. Security of crops and immovable or movable property is taken. In case of crop security the rate at which it is calculated is higher than the bazar rate, and sometimes it is up to one and a half times more than the current rate. The form of security is with or without possession or foreclosure according to exigencies of the time and need and status of the agriculturists.

In this district, besides Government and co-operative banks wherever they exist other banks do not render any help to the agriculturists in times of necessity. Other bankers render greater help and in the villages the ordinary merchants also render some help. The brokers and companies however do not render any help.

The total amount of capital required for the various purposes stated above may be estimated approximately at Rs. 40 lakhs to Rs. 50 lakhs.

The extent of grain advances may be put at 40,000 khandis. They are given on condition of repayment by *sawai* or *dedhi* (with 25 per cent or 50 per cent profit).

The present system has a great defect in it, because the grain required for seed, etc., and the profit made on it is disproportionate to the premium of risk thereon. This leaves no margin of profit whatever to the agriculturists. In taking loans in advance the difference in rates is so much that an agriculturist gets only half value of his produce.

The simple remedy for this lies in the establishment of co-operative selling societies or village organization and thus helping agriculture. Opening of co-operative societies for advancing capital for all purposes at a cheaper rate of interest will greatly facilitate this work. This will necessitate establishment of different kinds of societies (from primary credit to land mortgage bank) and they will have to be given power of purchasing as well as selling land, with due regard to safeguard local interest.

There is at present no co-operation; improvement can be done through co-operative banks.

QUESTION 2.—Petty merchants purchase grain in villages and sell it to merchants in towns. These merchants in their turn collect all grain and sell it to big merchants in cities.

In order to form pools and to make joint effort for marketing produce, the agriculturists will have to be educated to realize its advantages. Such continuous propaganda will bring about the formation of such societies. For this purpose arrangements will have to be made to advance money to agriculturists through some societies. Through the agency of co-operative societies such a union can easily be formed.

At present there is necessity of good roads for export of produce to market places. Similarly, agriculturists stand in need of money for arranging carts, bullocks, etc., or other means of locomotion. At present produce is taken to market places on carts or by head-loads for which the existing roads and the open weather kucha roads render great help.

The main difference of help between internal and foreign trade is that there exist several good means of communication such as railways, steamers, etc., and Indian companies for foreign trade but for internal trade there is nothing of the kind.

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At present the banks, indigenous bankers and merchants play no part during process of marketing except what is stated in question No. 1.

Internal remittances are made by means of hundis, bank cheques and money orders.

The great defect in the existing system is that such remittances take long time to reach their destination. Money order system has its defect in that it costs a great deal by way of commission and its offices are located at long distances. Hundis can be issued in favour of a very few individuals and cheques are used by a few people and only mainly because there are very few banks that deal in cheques and that they are situated at long distances. This defect can however be remedied by introducing cheque system in co-operative banks by establishing institutions dealing in cheques and by spreading cheque habit among the people.

For internal trade of the province very little use is made of hundis, cheques, etc., because only a few big bankers in cities deal in them. The agriculturists do not derive any benefit thereby.

For the more extensive use of bills the duty thereon should be reduced and institutions opened for their encashment.

In this district only one form of hundi is in vogue which is used by bankers for their own purposes. The sample of this hundi is as follows:—

No. 988.

Shri Ganeshji (the protector).

7411.

Shri Sidha, Calcutta.

(Shubha Stane Jog shri patri) Bhai Madanlal Kanhaiyalal (jog) written from Bamhni Bazar Kanhaiyalal Brothers. Jaigopal (wishes) requests (age) Hundi (Kita) 1 is issued to you for Rs. 1,500 (in words one thousand and five hundred) of which half seven hundred and fifty of which double may be given in full. Kept here by Secretary, Co-operative Bank, Mandla. Dated the 6th July 1929. Received money (Sah Jog) rupees company hundi form. Find out place, enquire and pay. Else all right. Miti First Sawan Wadi 3 Sammat 1985, Friday. Signed Surya Prasad Pande.

Address.—Shrijut Bhai Madanlal Kanhaiyalal at Halcot Barian lane No. 5, Calcutta.

In respect of Negotiable Instruments Act when it is prevalent in the whole world there is no need for its amendment.

The hundis emanating from this place have to be sent to provincial centres for discounting as there is no arrangement for the same at this place.

For raising money during the process of marketing railway receipts only are employed.

Great difficulty is experienced in use of these receipts as there are no institutions to pay money on them. To remove this difficulty arrangements should be made in co-operative banks for payment of money on such receipts. It is necessary to start licensed warehouses for benefit of agriculturists on the lines maintained by traders in Bombay or by banks.

QUESTION 3.—In this district value of land per acre for different kinds of crops is from Re. 1 to Rs. 200 as detailed below:—

Paddy Rs. 10 to Rs. 200; koda up to Rs. 5; wheat from Rs. 5 to Rs. 100, gram, etc., Re. 1 to Rs. 50; land yielding double crops, Rs. 10 to Rs. 200.

This value is affected by the following chief causes in addition to several minor ones:—

- (a) Distance from a city or a big village.
- (b) Importance of local population or profession.
- (c) Right of land, its productive capacity and revenue.
- (d) Sources of irrigation.

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(a) The value of land in Government auction for non-payment of revenue is very low.

(b) Value of land in the event of sale by court decree is little higher than under (a).

(c) Value of land in purchase by private negotiation is highest of all.

The reason for this is that in the case of (a) the knowledge of land and the time for payment of money is insufficient, and in the case of (b) there is difficulty of ready money, hence in both these cases land fetches low price. In case of (c) besides the above two advantages there is need of purchasers hence the price the land fetches is decent.

QUESTION 4.—There is legal impediment to mortgage land and agricultural holdings in this district under the Land Revenue Act. There are no land mortgage banks or agricultural banks or any other banks for provision of long-term credit. Land mortgage banks such as exist in the Madras Presidency can be established in this province also and their capital can be raised by issue of shares and sale of debenture bonds. Malguzars and land mortgage banks can derive benefit if the present revenue law is suitably amended so as to provide mortgage or sale of land for payment of loan incurred for improvement of such land.

(a) Khasras should be amended so as after enquiry at Gidawati true names of all owners with their debts may be entered.

(b) None.

(c) All such expenses can be reduced with any effort through co-operative societies as these institutions are exempt from any such expenses.

The working capital of the proposed mortgage bank should be derived from—

(a) deposits,

(b) funds from central institutions or

(c) debenture bonds.

The debenture bonds should carry Government guarantee only for interest. In other respects recommendations of the sub-committee recently appointed by the Co-operative Federation can be made use of.

QUESTION 5.—To estimate the existing indebtedness of agriculturist it is necessary to refer to reports of Settlement Officers of districts where settlement operations have taken place. Similarly, the formation sought under (a) of the question can be verified from records of the Registration Department. For the information under (c) there are no means of verification.

The purposes for which debt was incurred can be ascertained from the registration office or the co-operative bank in respect of debts taken from them. There are no other means to verify the causes for which debts were incurred unless a regular inquiry is instituted from village to village through some proper and responsible officers of Government.

This debt can be taken from Government bank, co-operative societies, indigenous bankers and the professional money-lenders.

In looking through the books of indigenous bankers it is found that the extent of this indebtedness, due to non-payment of interest, has grown double from ten times. Among other causes of indebtedness may be cited the increased expenditure, the failure of crops due to scarcity of rains and other reasons, and the absence of other industries. The rates of interest charged are from Rs. 12 to Rs. 72 per cent per annum. The indigenous bankers instead of deducting interest on amounts paid charge it at compound interest to the date of settlement of accounts which puts agriculturists to heavy losses.

In my opinion large number of efficient farmers are being turned into sub tenants and are reduced to the status of labourers.

Condition of agriculturists in irrigated tracts, owing to the advantage of other produce besides grain, is better compared to the condition prevailing in the area not often liable to famine. But the condition of agriculturists in the famine zone is simply deplorable.

If this process is going on it would certainly take away from the actual cultivator the incentive to produce more and in an efficient and better manner.

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QUESTION 6.—In this district such industries as rice hulling, dairy farming, gur-making, garden produce and collection of forest produce can be introduced which can be allied with agriculture.

These industries can be encouraged through the agency of co-operative societies and the producer can be enabled to get a better return for his produce.

The agriculturists can be enabled to supplement his income by utilizing his spare time in cotton ginning, rope-making, collecting forest produce and sowing garden plant.

There are no credit facilities existing at present for such industries. It can, however, be secured through co-operative societies and proper marketing facilities can as well be secured through them.

For this purpose the surplus money lying with the banks can be utilized and some money can be raised by means of loans or debentures which can be easily available for opening up stores.

QUESTION 7.—There are no relations between the co-operative banks and other banks in the country except that some special co-operative banks can get some cash credit from the Imperial and the joint stock banks but this can be relied upon.

The existing difficulty in the matter of finance in regard to long-term capital in the case of co-operative societies is that neither any banks give them any long-term credit nor do they get long-term deposits on payment of a proper rate of interest.

In this district, the extra capital required for financing the co-operative movement would be Rs. 50,00,000 for two thousand villages at the rate of Rs. 2,500 per village.

There is no other bank except the Co-operative Bank in this district. For encouraging the co-operative movement it is necessary that it should receive some financial facilities.

In this district the co-operative movement has been successful to a certain extent in meeting the urgent financial needs of some of the agriculturists, but the small traders and industrialists have not received any assistance from it. In my opinion if this movement is properly managed it will be able to meet the financial needs of all the three classes of people.

The civil courts in this district having the powers of reducing to a certain extent the interest from the plaintiff claim but it is not used. In my opinion thus all such suits or documents in which it is found that rate of interest charged is more than the fixed rate should be declared null and void.

There is a great necessity of enacting any such legislation in order to make provision for licensing money-lenders and making it obligatory on them to supply their debtors with copies of accounts. The enactment of legislation in respect of *dandapat* (double of the original) is all the more imperative. In my opinion financing of primary societies direct by Central Banks would be more advantageous.

Part II.—Indigenous Banking.

QUESTION 1.—Excluding a few special firms, nobody does any banking business in this district. Even the business done by these firms is disappointing and cannot be called banking in the real sense of the term. Their behaviour also is not good.

QUESTION 2.—Indigenous bankers in this district assist in financing agriculture, trade or industry to a very little extent hence trade of the district is altogether crushed.

QUESTION 3.—(1) (a) Amount of capital invested in banking is about Rs. 4,00,000.

(b) In regard to business of these banks the general complaints are that (1) they do not advance money in time, (2) they charge heavy interest or commission, (3) they impose such conditions and leave no profit to the debtors and (4) the deposits kept with them are never returned in time.

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(3) (d) One banker borrows money from another on hundi, stamp or agreement bond. In business dealings the Imperial or other banks cash their hundis through approved creditors. These bankers have no relation of any kind with co-operative banks.

(e) Indigenous bankers get no facilities from Imperial Bank or any other joint stock banks.

(4) Sample of a hundi is given under question 1 (2). Promissory notes, deposit receipts, etc., used, are in usual forms.

QUESTION 5.—With a few exceptions, indigenous bankers advance money to the extent of half the cost of ornaments, land and village mortgaged with them. Conditions of mortgages are with or without foreclosure.

Indigenous bankers in this district provide themselves with funds to meet their demands from indigenous firms.

On amounts of deposits received by them they allow rates of interest from 8 annas to Re. 1 per cent per month.

QUESTION 6.—The agriculturists repay the bankers their dues, principal and interest in money in cities and in kind in villages, the rates of interest being Rs. 25 per cent to Rs. 100 per cent.

The payment of loans to the agriculturists through co-operative societies is the only method by which these rates of interest can be brought down.

The reduction of such rates would certainly confer great benefit on the agricultural community.

QUESTION 7.—There is a prejudice against indigenous bankers in our locality owing to their tendency of charging high rate of interest, not paying money in time of need and for aiming to take property of their debtors.

These bankers do not appear to be sufficiently protected in law.

There are many facilities that can be extended to them and they have been described above.

Dealings of bankers with their debtors are not cordial. The existing defects are that they charge whatever rate of interest they like and keep their accounts according to their choice. The illiterate agriculturists admit all this owing to their honesty and thereby they lose all their property. The remedy for all this is that suits in which high interest is charged should be declared null and void, money-lending should be allowed on holding a licence and account books of these bankers should be subjected to periodical inspections.

QUESTION 8.—The means by which this class of bankers can be made more servicable to the community are described in question No. 7 above.

The banking system in India could be improved and consolidated on co-operative system.

Special facilities to be given to this class for this purpose are to reduce their litigation expenses and payment of income-tax. Their accounts are maintained in country fashion in daily cash book and khatoni.

Any reasonable and honest banker would welcome introduction of any measure for regulating their operations and for giving publicity to the same. The indigenous bankers would however look upon such a measure with suspicions and oppose it.

In my opinion bankers losses are 25 per cent of their income on their invested capital, i.e., they derive 20 per cent net income on their total capital.

QUESTION 10.—The indigenous bankers cannot meet all demands for accommodation and are obliged to refuse some owing to insufficiency of their working capital. Owing to risk in security offered they do not like to advance loans. All this results in rise of rates of interest.

QUESTION 11.—The indigenous banking system can be linked with the central money market and provincial capitals can only be brought about by the establishment of a money-lending bank.

There is need of establishment of branches of joint stock bank, or of a Central Reserve Bank or a local bank with local directorate in each district with which the indigenous banking system may be connected.

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Such a bank could inspire confidence of indigenous bankers and it will be able to utilize their local knowledge and experience by fixing up their credit and co-operating with them.

Part III.—Investment habit and attraction of capital.

QUESTION 1.—Except indigenous bankers and co-operative bank, there is no other banking resource existing in this district. For agricultural purposes only the extra capital required is Rs. 50,00,000. For other trades and traders an equal amount is necessary.

The public get very few facilities for the investment of their savings because there are no savings banks in all places and similarly there is no complete development of co-operative societies. Along with co-operative societies institutions to receive deposits in rural area can be started. The savings that are invested in purchase of gold and silver are in the nature of a Reserve Fund and it is necessary in view of the present social condition of the people. Such an investment is very small in value and can be utilized in times of extreme necessity.

QUESTION 2.—The postal cash certificates are not popular in this district. But steps can be taken to increase their popularity by means of propaganda. Centres for issue of these cash certificates will have to be opened in the mofussil. The introduction of postal cash certificates and Treasury Bills affects the business of the banking institutions and bankers hence they should either be issued through banks or interest thereon should be fixed lower than that given by bankers on deposits.

QUESTION 3.—Small agriculturists derive no benefit by purchase of Government securities. In the first place it is not consonant with their condition and then there are other inconveniences such as repeated interest, etc., hence they would not like to purchase them under the existing condition. There is therefore no advantage in granting special facilities in that direction. At present Government pays commission to banks and if they could undertake to increase the sale of the securities by doing the necessary propaganda they should be granted some special discount to meet extra propaganda expenditure. In this district there is no such institution but in some places municipal debentures and Port Trust debentures and papers of like nature are purchased on proper discount or commission. For this purpose the great facility afforded by these institutions is that they help people to purchase debentures by payment of a fixed portion of the cost thereof and on their security loan is advanced and it is transferred in the name of the purchaser. The interest, etc., on these debentures is recovered by paying some commission to the purchaser. Cash that comes in the hands of people in this district by sale of produce or through any other means is spent on agricultural needs such as bullocks, etc., on ordinary needs of life such as cloth, etc., on ceremonials and on liquidation of their debt. After doing all this they have no savings left with them.

The people have got a tendency towards hoarding, no doubt, but their income is not enough to do anything practical in the matter. At present their income is less than their expenditure. Farmers lend money to fellow agriculturists on simple receipts, hundi notes or on condition of lease of their land. Even in a prosperous year, they cannot save enough to invest after discharging liabilities of previous bad year. Excepting seeds that is left with the agriculturists the capital of the country is decaying in all respects. There is no indication of its increase and one feels that it is slowly going down and down. There is no particular method of distributing of capital. It is entirely dependent on the crop conditions.

Whatever little surplus capital there is, it is in the form of produce which is given away in *barki* to money-lender.

QUESTION 4.—Nothing is known about growth of cheque habit except that it is prevalent in transactions of some of the co-operative banks. The abolition of stamp duty on cheques has resulted in the growth of their use but its advantage is taken by big banks, bankers and capitalists in cities. The general public derives no profit thereby.

Through wealthy people referred to above and highly paid Government servants as well as the co-operative banks the cheque habit can be further

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promoted. By payment of Government servants and bank employees above Rs. 100 by cheque its spread is possible but before doing this facilities should be provided for their encashment through the post offices, Government treasuries, and the banks. Similarly, such arrangements should be made in different institutions.

In banking business use of vernacular script should be introduced. This will facilitate people to understand accounts.

QUESTION 5.—Yes. The banking and investment habit in India is of very slow growth. This can be attributed to the increasing indebtedness and poverty of agriculturists.

The increasing poverty of the nation and the bad agricultural conditions are the chief causes and above all Government's business policy is one of the chief causes.

The people have no money to invest in productive undertakings so the question of educating them in that respect does not arise.

MR. C. J. W. LILLIE, I.C.S., Settlement Officer, Mandla.

Reply to the Questionnaire.

There is distinct difference in the custom of indebtedness of the advanced parts of the Mandla tahsil and the rest of the district. In the advanced parts loans are mainly obtained from professional money-lenders, who are also for the most part malguzars, co-operative credit societies and taccavi advances from Government play a very small part and the failure of the co-operative movement to control its contumacious defaulters is undermining the movement. Taccavi is almost insignificant in the advanced parts as a financing agency. In addition to this there is a small volume of business done by substantial tenants who lend to one another, and I know of the case of a kotwar who has become a malguzar largely as the result of a small usurious money-lending business. Loans are in the advanced parts of two main kinds:—

(1) Small advances for cultivating expenses generally wheat seed or rabi seed; occasionally small cash sums for purchasing bullocks are advanced, but the bulk of the business is in rabi seed, almost invariably in kind, from the barhi. This grain business is largely in the hands of malguzars. The rate of interest is generally *sawai*, i.e., $1\frac{1}{2}$ times the amount borrowed is repayable at the succeeding harvest, the loan being taken just before sowing time. Sometimes *deorha* or $1\frac{1}{4}$ times. Borrowing for kharif is rare, kodon-kutki is seldom borrowed. Rice seed in the haveli, however, is borrowed; rates are the same.

(2) Larger sums for ceremonial expenditure, mainly marriages. These carry interests at 24 per cent per annum over almost the whole of the district. Repayment is generally made in three to five years, but a great deal depends on the character of the season and thriftiness or otherwise of the tenant. Long standing old debts are so rare that they can be ignored. Rates of interest vary for tenants from 18 per cent to 36 per cent, according to the character of the tenant and the money-lender. Mortgaging by absolute-occupancy tenants and *malik-makbuzas* is rare; they generally borrow on unsecured personal credit. In the more remote parts of the district, borrowing of seed is extremely rare and the tenant leaves his land unsown in preference to obtaining seed on credit and is prepared to wait till he has got his own seed before he sows his land. The shortage of wheat seed this year has led much land to be put under gram, partly no doubt, because of its superior germinating power but also admittedly because tenants have not got wheat seed but have gram seed. In the typical jungly parts it is rare to find that a tenant owes anything at all. His cash requirements are rare and very modest. He requires occasionally money for bullocks of which a very large part is taccavi advanced by Government. The rest is money scraped together from his fellow tenants, small sums lent by the itinerant traders with pack bullocks, and a very little near Niwas, Shahpura and Dindori by malguzars who also have a money-lending business. 24 per cent is the prevailing rate of interest for such loans. They are repaid out of sarson and jungi at the kharif harvest or out of wheat and gram at the rabi harvest. Ceremonial expenditure is very small. Rs. 50 is a large sum for a backward cultivator to spend on marriage and such loans are quickly repaid generally the next year.

2. *Marketing facilities.*—In the advanced parts, the tenant takes his own grain to market in his cart, in the manner common to other districts which need not be described in details. A smaller proportion is sold to Banias who visit bazars round Mandla and cart it themselves to the railway. But over the larger part of the Niwas and Dindori tahsils, the produce is bought up by itinerant Telis and Banjaras who visit each village and purchase the tenants' produce on the spot and take it to Jubbalpore, Birsingpur Paili, Gorela, Mandla, Bamhni, etc. A small proportion is carted, but by far the larger part is carried on bullocks often very long distances. Prices are consequently very low, Rs. 7 to Rs. 8 per khandi is the prevailing price in Dindori for wheat and is 40 to 50 per cent below Mandla rates. Small jungly bazars exist in all parts of Mandla district, but in the remote parts these do a very petty business in retail articles; salt, oil, lamps and clothing. Tenants take either a small quantity of grain to market in *kawars* or a little cash to make their purchases; wholesale business is not done at such bazars.

MR. C. J. W. LILLIE.

3. The value of land varies so enormously that I cannot give any accurate estimate. In parts of the district there is still more land than can be taken, while round Mandla town good black soil will readily fetch Rs. 100 per acre. The price of land varies more with its proximity to social centres than with its actual fertility. The latter, no doubt, is an important consideration, and the proportion of the price to agriculture value in developed parts is fairly constant, but the fluctuations in the value of good land with the situation of the village, its population, etc., are very much more wide than would be expected. [For instance, the value of an acre of good black soil (kabar II, saman) round Mandla, is Rs. 100 per acre, whereas the same land and bearing the same crops fetches about Rs. 50 in Chiraidongri Monot 13 miles and Rs. 30 or Rs. 40 in 18 miles off.] The character of the malguzar is also quite an appreciable factor and a *Bawa* malguzar will frequently get a high price for land, while, say, a resident *Gond* will consider it almost indecent to take anything but the most trifling sum. The custom of taking one cow or one bullock is also very common and the actual value of the land is frequently lost sight of.

4. The actual indebtedness of the Mandla and Niwas tahsils, as ascertained, at attestation, is given in a statement attached. Dindori statistics are not yet ready. The figures ascertained at recent attestation for two tahsils, Mandla and Niwas, give an average of 5 khandis for tenants and 3½ kuros for malguzars per village for 1,375 villages. As the attestation of these villages was made in November to May, they can be taken as a reliable estimate of the normal extent of grain advances for the district. On this basis the extent of grain advances for the whole district may be estimated to be worth about Rs. 1,07,740. The average occupied area per village might be estimated at 522 acres and thus the grain outstanding per occupied acre is worth about Re. 0-2-0. The total indebtedness in cash of the malguzars and tenants, including ryots in ryotwari villages, for the whole district consisting of 2,011 villages may be roughly estimated at Rs. 26,90,000. This estimate is based on the figures of cash debts collected at attestation for the Mandla and Niwas tahsils in 1927-28 and 1928-29, i.e., for 1,375 villages, altogether returning a debt of Rs. 18,39,397 of which Rs. 10,25,836 are returned by malguzars and Rs. 8,13,561 by tenants and ryots. This gives an incidence of Rs. 1,337 debt per village (attested). It would, however, appear that 56 per cent of this debt is borne by malguzars alone of which about 10 per cent can be estimated to be incurred for agricultural purposes and the rest for other purposes. Amongst tenants (ryots included) only 33 per cent are indebted and malguzars are indebted to the extent of 37 per cent. I suspect also some exaggeration in the malguzari debts and some amount again out of that returned, is owed by men residing out of the district.

The following statistics in connection with the figure of tenancy debt for the whole district deduced on the figures stated above would give a fair idea of the extent of indebtedness in general:—

	Rs. a. p.
Debt per village ...	590 0 0
Debt per acre of tenancy occupied area ...	1 2 0
Value of land per acre ...	30 0 0
Per cent of tenants free from debt ...	70 0 0
Debt per tenant ...	30 0 0
Debt per indebted tenant ...	107 0 0
Average area held by one tenant ...	15 acres.
	Rs. s. p.
Average rent per tenants (after revision) ...	7 0 0
Ratio of debt to rent per tenant ...	4-29
Ratio of debt to rent per indebted tenant ...	15-28
	Rs. s. p.
Average value of crop per acre of occupied	15 0 0

Subsidiary occupations.—The district is very largely agricultural and even near headquarters there is practically no subsidiary occupation. But round Mandla itself, there is a great shortage of labour and casual jobs innumerable are available for labour in the off season such as carrying grass, fuel to Mandla market for the rains, on annual repairs to road and in the forest coupes. Over large parts of the district, however, cutting of the wheat crop (in North Niwas and round Dindori) eradication of *Moa* grass in the Dindori tahsil and work in

forest coupes are all the labour available. They are ample, however, for the needs of the smaller cultivators and for the labouring class and the stocks of grain, kept even by smaller labourers, is often sufficient to tide over a bad period. An industrious cultivator (and such are confined to the haveli of Mandla) has little time to spare. He grows two crops habitually and is busy in the fields from June to March, after this he has his house to repair, his embankments to attend to; frequently extensions to unembanked land to make if he is sufficiently enterprising. But in the bulk of the district, even if he were able to find additional employment, the more substantial Gond cultivator is far too lazy to avail himself of it unless necessity were to force him to do so, which at present it will not; there being an ample margin between his minimum requirements and what he actually gets.

Statement showing the tenancy debt of the malguzari and rayotwari villages of the Mandla district (as a whole of Mandla tahsil and Niwas tahsil.

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
		Rs.			
Rs. 1 to Rs. 100	5,838	2,45,051	3,484	22	...
Rs. 101 to Rs. 200	964	1,51,138	756	4	...
Rs. 201 to Rs. 300	343	89,094	298	1	...
Rs. 301 to Rs. 500	254	1,00,127	269	1	...
Rs. 501 to Rs. 750	83	51,199	91	...	...
Rs. 751 to Rs. 1,000	49	46,564	39	...	...
Over Rs. 1,000	60	1,30,388	88	...	...
Total	7,591	8,13,561	5,020	28	...
Pure grain	1,378	...	2,327	5	...
Total	8,969	8,13,561	7,347	33	...
Free from debt	18,114	...	...	67	...
Grand Total	27,083	8,13,561	7,347	100	...

Mr. C. J. W. Lunn,

Statement showing the tenancy debt of the malguzari villages of the Ghughri group in Mandla tahsil.

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
Rs. 1 to Rs. 100 ...	110	Rs. 3,801	26	3	...
Rs. 101 to Rs. 200 ...	18	2,990	2	1	...
Rs. 201 to Rs. 300 ...	4	969	...	...	...
Rs. 301 to Rs. 500 ...	2	725	...	...	...
Rs. 501 to Rs. 750 ...	2	1,250	...	...	...
Rs. 751 to Rs. 1,000 ...	...	...	...	...	...
Over Rs. 1,000 ...	2	4,869	...	...	...
Total ...	138	14,604	28	4	...
Pure grain ...	23	...	24	1	...
Total ...	161	14,604	52	5	...
Free from debt ...	2,933	...	...	95	...
Grand Total ...	3,094	14,604	52	100	...

Statement showing the tenancy debt of the malguzari villages of the group Chhapartaia, tahsil Mandla.

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
Rs. 1 to Rs. 100 ...	204	Rs. 8,547	103	14	...
Rs. 101 to Rs. 200 ...	10	2,871	8	1	...
Rs. 201 to Rs. 300 ...	8	2,203	5	1	...
Rs. 301 to Rs. 500 ...	5	2,200	...	...	...
Rs. 501 to Rs. 750 ...	...	...	...	...	...
Rs. 751 to Rs. 1,000 ...	1	1,000	...	...	...
Over Rs. 1,000 ...	...	...	...	...	...
Total ...	237	16,821	116	16	...
Pure grain ...	103	...	137	7	...
Total ...	340	16,821	253	23	...
Free from debt ...	1,140	...	...	77	...
Grand Total ...	1,480	16,821	253	100	...

*Statement showing the tenancy debt of the malguzari villages
of the Jhalpur group, tahsil Mandla.*

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percent- age.	Remarks
1	2	3	4	5	6
		Rs.			
Rs. 1 to Rs. 100	378	14,813	364	32	
Rs. 101 to Rs. 200	60	9,576	39	5	
Rs. 201 to Rs. 300	18	5,031	14	2	
Rs. 301 to Rs. 500	12	4,717	42	1	
Rs. 501 to Rs. 750	3	1,925	8	...	
Rs. 751 to Rs. 1,000	3	2,780	1	...	
Over Rs. 1,000	2	4,980	10	...	
Total	476	43,822	478	40	
Pure grain	88	...	132	7	
Total	564	43,822	610	47	
Free from debt	622	...	...	53	
Grand Total	1,186	43,822	610	100	

*Statement showing the tenancy debt for the malguzari villages
in Niwari group of Mandla tahsil.*

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percent- age.	Remarks.
1	2	3	4	5	6
		Rs.			
Rs. 1 to Rs. 100	614	26,588	583	39	
Rs. 101 to Rs. 200	107	16,704	131	5	
Rs. 201 to Rs. 300	45	10,574	74	2	
Rs. 301 to Rs. 500	44	17,524	77	2	
Rs. 501 to Rs. 750	14	8,503	10	1	
Rs. 751 to Rs. 1,000	10	9,400	3	1	
Over Rs. 1,000	15	36,657	44	1	
Total	849	1,25,950	922	45	
Pure grain	238	...	416	13	
Total	1,087	1,25,950	1,338	58	
Free from debt	785	...	...	42	
Grand Total	1,872	1,25,950	1,338	100	

Statement showing the tenancy debt for the malguzari villages in Indri group of Mandla tahsil.

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
Rs. 1 to Rs. 100	130	Rs. 6,691	148	20	...
Rs. 101 to Rs. 200	33	5,440	58	5	...
Rs. 201 to Rs. 300	9	2,438	...	1	...
Rs. 301 to Rs. 500	2	700	...	1	...
Rs. 501 to Rs. 750	2	1,190	...	...	...
Rs. 751 to Rs. 1,000	...	...	...	1	...
Over Rs. 1,000	...	...	...	...	...
Total	176	16,459	206	27	...
Pure grain	73	...	155	12	...
Total	249	16,459	361	39	...
Free from debt	393	...	...	61	...
Grand Total	642	16,459	361	100	...

Statement showing the tenancy debt for the malguzari villages in Bamhni group of Mandla tahsil.

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
Rs. 1 to Rs. 100	439	Rs. 24,468	260	35	...
Rs. 101 to Rs. 200	124	20,544	105	10	...
Rs. 201 to Rs. 300	47	12,362	45	4	...
Rs. 301 to Rs. 500	24	9,164	39	2	...
Rs. 501 to Rs. 750	12	7,222	8	1	...
Rs. 751 to Rs. 1,000	2	2,000	...	...	...
Over Rs. 1,000	5	7,198	10	...	...
Total	653	82,958	467	52	...
Pure grain	56	...	195	5	...
Total	709	82,958	662	57	...
Free from debt	540	...	...	43	...
Grand Total	1,249	82,958	662	100	...

*Statement showing the tenancy debt for the malguzari villages
in Beneka group of Mandla tahsil.*

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
		Rs.			
Rs. 1 to Rs. 100 ...	545	25,679	311	36	...
Rs. 101 to Rs. 200 ...	133	20,924	162	9	...
Rs. 201 to Rs. 300 ...	51	13,421	48	3	...
Rs. 301 to Rs. 500 ...	49	19,883	51	3	...
Rs. 501 to Rs. 750 ...	17	10,480	39	1	...
Rs. 751 to Rs. 1,000 ...	13	11,800	26	1	...
Over Rs. 1,000 ...	9	22,260	...	1	...
Total ...	817	1,24,452	637	54	...
Pure grain ...	101	...	174	7	...
Total ...	918	1,24,452	811	61	...
Free from debt ...	589	...	...	39	...
Grand Total ...	1,507	1,24,452	811	100	...

*Statement showing the tenancy debt for the malguzari villages
in Ramnagar group of Mandla tahsil.*

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
		Rs.			
Rs. 1 to Rs. 100 ...	290	12,319	140	27	...
Rs. 101 to Rs. 200 ...	52	7,863	23	5	...
Rs. 201 to Rs. 300 ...	16	4,407	3	2	...
Rs. 301 to Rs. 500 ...	7	2,981	...	1	...
Rs. 501 to Rs. 750 ...	1	600	...	...	...
Rs. 751 to Rs. 1,000 ...	...	...	...	...	...
Over Rs. 1,000 ...	3	9,700	...	...	...
Total ...	369	37,870	166	35	...
Pure grain ...	74	...	106	7	...
Total ...	443	37,870	272	42	...
Free from debt ...	612	...	...	58	...
Grand Total ...	1,655	37,870	272	100	...

Statement showing the tenancy debt for the malguzari villages of the Hirdenagar group in Mandla tahsil.

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
Rs. 1 to Rs. 100	606	Rs. 34,510	322	27	
Rs. 101 to Rs. 200	202	31,587	97	9	
Rs. 201 to Rs. 300	71	18,636	24	3	
Rs. 301 to Rs. 500	54	21,225	30	3	
Rs. 501 to Rs. 750	14	8,871	...	1	
Rs. 751 to Rs. 1,000	12	11,094	8	1	
Over Rs. 1,000	8	16,700	...	...
Total	967	1,42,623	481	44	
Pure grain	62	...	177	3	
Total	1,029	1,42,623	658	47	
Free from debt	1,182	...	...	53	
Grand Total	2,211	1,42,623	658	100	

Statement showing the tenancy debt for the ryotwari villages of the Ghughri group in Mandla tahsil.

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
Rs. 1 to Rs. 100	9	Rs. 452	2	25	...
Rs. 101 to Rs. 200	2	235	4	6	...
Rs. 201 to Rs. 300	...	...	...	...	...
Rs. 301 to Rs. 500	...	...	...	...	...
Rs. 501 to Rs. 750	...	...	...	...	...
Rs. 751 to Rs. 1,000	...	...	...	...	...
Over Rs. 1,000	...	...	...	...	...
Total	11	687	6	31	...
Pure grain	2	...	21	5	...
Total	13	687	27	36	...
Free from debt	23	...	...	64	...
Grand Total	...	687	27	100	...

*Statement showing the tenancy debt for the ryotwari villages of
the Chhapartala group in Mandla tahsil.*

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
Rs. 1 to Rs. 100	102	Rs. 4,648	51	18	...
Rs. 101 to Rs. 200	11	1,755	16	1	...
Rs. 201 to Rs. 300	7	1,827	13	1	...
Rs. 301 to Rs. 500	8	1,752	9	1	...
Rs. 501 to Rs. 750	2	1,300	16	...	...
Rs. 751 to Rs. 1,000	2	1,810	...	...	...
Over Rs. 1,000	2	4,400	...	...	...
Total	131	17,492	105	14	...
Pure grain	21	...	39	2	...
Total	152	17,492	144	16	...
Free from debt	807	...	...	84	...
Grand Total	959	17,492	144	100	...

*Statement showing the tenancy debt for the ryotwari villages of
the Jholpur group in Mandla tahsil.*

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
Rs. 1 to Rs. 100	24	Rs. 762	5	56	...
Rs. 101 to Rs. 200	...	...	...	...	...
Rs. 201 to Rs. 300	...	...	...	...	...
Rs. 301 to Rs. 500	...	...	...	...	...
Rs. 501 to Rs. 750	...	...	...	...	...
Rs. 751 to Rs. 1,000	...	...	...	...	...
Over Rs. 1,000	...	...	...	...	...
Total	24	762	5	56	...
Pure grain	1	...	1	2	...
Total	25	762	6	58	...
Free from debt	18	...	...	42	...
Grand Total	43	762	6	100	...

Mr. G. J. W. LALAN

*Statement showing the tenancy debt for the ryotwari villages of
the Niwari group in Mandla tahsil.*

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
Rs. 1 to Rs. 100	19	Rs. 688	20	33	
Rs. 101 to Rs. 200	2	320	2	4	
Rs. 201 to Rs. 300	...	...	...	...
Rs. 301 to Rs. 500	1	372	1	2	
Rs. 501 to Rs. 750	...	...	...	...
Rs. 751 to Rs. 1,000	...	...	...	...
Over Rs. 1,000	...	...	...	...
Total	22	1,380	23	39	
Pure grain	12	...	16	21	
Total	34	1,380	39	60	
Free from debt	23	...	...	40	
Grand Total	57	1,380	39	100	

*Statement showing the tenancy debt for the ryotwari villages of
the Indri group in Mandla tahsil.*

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
Rs. 1 to Rs. 100	13	Rs. 490	55	8	...
Rs. 101 to Rs. 200	...	...	...	...	...
Rs. 201 to Rs. 300	...	...	...	...	...
Rs. 301 to Rs. 500	...	...	...	...	...
Rs. 501 to Rs. 750	1	650	2	1	...
Rs. 751 to Rs. 1,000	1	900	...	1	...
Over Rs. 1,000	...	...	...	...	...
Total	15	2,040	57	10	...
Pure grain	25	...	88	16	...
Total	40	2,040	145	26	...
Free from debt	116	...	...	74	...
Grand Total	156	2,040	145	100	...

Statement showing the tenancy debt for the ryotwari village of the Bamhni group in Mandla tahsil.

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
Rs. 1 to Rs. 100	15	Rs. 635	9	68	...
Rs. 101 to Rs. 200	...	...	...	...	...
Rs. 201 to Rs. 300	...	...	...	...	...
Rs. 301 to Rs. 500	...	...	...	...	...
Rs. 501 to Rs. 750	...	...	...	...	...
Rs. 751 to Rs. 1,000	...	...	...	...	...
Over Rs. 1,000	...	...	...	...	...
Total	15	635	9	68	...
Pure grain	3	...	3	14	...
Total	18	635	12	82	...
Free from debt	4	...	...	18	...
Grand Total	22	635	12	100	...

Statement showing the tenancy debt for the ryotwari villages of the Beneka group in Mandla tahsil.

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
Rs. 1 to Rs. 100	73	Rs. 2,531	29	43	...
Rs. 101 to Rs. 200	2	260	2	1	...
Rs. 201 to Rs. 300	...	...	...	...	...
Rs. 301 to Rs. 500	...	...	...	...	...
Rs. 501 to Rs. 750	...	...	...	...	...
Rs. 751 to Rs. 1,000	...	...	...	...	...
Over Rs. 1,000	...	...	...	...	...
Total	75	2,791	31	44	...
Pure grain	19	...	20	11	...
Total	94	2,791	51	55	...
Free from debt	75	...	...	33	...
Grand Total	160	2,791	51	100	...

MR. C. J. W. LILLIE,

Statement showing the tenancy debt for the ryotwari villages of the Ramnagar group in Mandla tahsil.

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
Rs. 1 to Rs. 100	71	Rs. 2,362	35	16	...
Rs. 101 to Rs. 200	6	816	1	2	...
Rs. 201 to Rs. 300	...	...	...	...	...
Rs. 301 to Rs. 500	...	...	...	...	...
Rs. 501 to Rs. 750	...	...	...	...	...
Rs. 751 to Rs. 1,000	...	...	...	...	...
Over Rs. 1,000	...	...	...	...	...
Total	77	3,178	36	18	...
Pure grain	5	...	4	1	...
Total	82	3,178	40	19	...
Free from debt	359	...	...	81	...
Grand Total	1,441	3,178	40	100	...

Statement showing the tenancy debt for the ryotwari villages of the Hirdenagar group in Mandla tahsil.

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
Rs. 1 to Rs. 100	4	Rs. 200	...	13	...
Rs. 101 to Rs. 200	1	151	...	3	...
Rs. 201 to Rs. 300	...	...	...	...	...
Rs. 301 to Rs. 500	...	...	...	...	...
Rs. 501 to Rs. 750	...	...	...	...	...
Rs. 751 to Rs. 1,000	...	...	...	...	...
Over Rs. 1,000	...	...	...	...	...
Total	5	351	...	16	...
Pure grain	3	...	9	9	...
Total	8	351	9	25	...
Free from debt	24	...	...	75	...
Grand Total	32	351	9	100	...

Statement showing the tenancy debt for malguzari villages in Bijegaon "A" class group of the Niwas tahsil.

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
		Ra.			
Rs. 1 to Rs. 100	556	24,001	418	38	
Rs. 101 to Rs. 200	102	15,004	55	7	
Rs. 201 to Rs. 300	39	10,182	41	3	
Rs. 301 to Rs. 500	29	11,274	16	2	
Rs. 501 to Rs. 750	6	3,762	8	...	
Rs. 751 to 1,000	3	4,200	1	...	
Over Rs. 1,000	5	9,549	22	...	
Total	740	77,972	561	50	
Pure grain	92	...	111	6	
Free from debt	642	...	...	44	
Grand total	1,474	77,972	672	100	

Statement showing tenancy debt for malguzari villages in Bijegaon "B" class group of the Niwas tahsil.

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
		Ra.			
Rs. 1 to Rs. 100	115	5,309	84	21	
Rs. 101 to Rs. 200	9	1,507	3	2	
Rs. 201 to Rs. 300	2	546	6	1	
Rs. 301 to Rs. 500	1	400	...	1	
Rs. 501 to Rs. 750	...	...	...	...
Rs. 751 to Rs. 1,000	...	...	...	...
Over Rs. 1,000	2	2,240	2	...	
Total	129	9,002	95	24	
Pure grain	56	...	79	10	
Free from debt	363	...	...	66	
Grand Total	548	9,002	174	100	

Statement showing tenancy debt for malguzari villages in Mohas group of the Niwas tahsil.

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
		Rs.			
Rs. 1 to Rs. 100	595	17,957	203	27	
Rs. 101 to Rs. 200	33	5,071	16	1	
Rs. 201 to Rs. 300	14	3,591	8	1	
Rs. 301 to Rs. 500	6	2,276	...	...
Rs. 501 to Rs. 750	3	1,780	...	...
Rs. 751 to Rs. 1,000	...	...	...	...
Over Rs. 1,000	1	1,400	...	...
Total	652	31,715	227	29	
Pure grain	103	...	149	50	
Free from debt	1,458	...	...	66	
Grand Total	2,213	31,715	376	100	

Statement showing tenancy debt for malguzari villages in Niwas group of the Niwas tahsil.

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
		Rs.			
Rs. 1 to Rs. 100	337	11,458	138	22	
Rs. 101 to Rs. 200	23	3,616	7	2	
Rs. 201 to Rs. 300	9	2,226	10	1	
Rs. 301 to Rs. 500	11	4,304	4	1	
Rs. 501 to Rs. 750	5	2,966	...	...
Rs. 751 to Rs. 1,000	1	780	...	...
Over Rs. 1,000	3	4,665	...	...
Total	389	30,015	159	26	
Pure grain	75	...	115	5	
Free from debt	1,064	...	...	69	
Grand Total	1,528	30,015	274	100	

*Statement showing tenancy debt for malguzari villages in
Shahpura group of the Niwas tahsil.*

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks
1	2	3	4	5	6
		Rs.			
Rs. 1 to Rs. 100 ...	296	9,284	80	16	
Rs. 101 to Rs. 200 ...	16	2,513	12	1	
Rs. 201 to Rs. 300 ...	3	676	2		
Rs. 301 to Rs. 500 ...	1	305			
Rs. 501 to Rs. 750 ...	1	700			
Rs. 751 to Rs. 1,000 ...					
Over Rs. 1,000 ...	3	5,770			
Total ...	320	19,248	94	17	
Pure grain ...	72	...	82	4	
Free from debt ...	1,509	...		79	
Grand Total ...	1,901	19,248	176	100	

*Statement showing tenancy debt for malguzari villages in
Mahedwani group of the Niwas tahsil.*

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks
1	2	3	4	5	6
		Rs.			
Rs. 1 to Rs. 100 ...	46	1,434	13	5	
Rs. 101 to Rs. 200 ...	3	450			
Rs. 201 to Rs. 300 ...					
Rs. 301 to Rs. 500 ...					
Rs. 501 to Rs. 750 ...					
Rs. 751 to Rs. 1,000 ...					
Over Rs. 1,000 ...					
Total ...	49	1,884	13	5	
Pure grain ...	13	...	17	2	
Free from debt ...	856	...		93	
Grand Total ...	918	1,884	30	100	

*Statement showing tenancy debt for ryotwari villages in
Bijegaon "A" class of the Niwas tahsil.*

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
		Rs.			
Rs. 1 to Rs. 100	1	7	...	5	
Rs. 101 to Rs. 200	...	...	...	...
Rs. 201 to Rs. 300	...	...	...	...
Rs. 301 to Rs. 500	...	...	...	...
Rs. 501 to Rs. 750	...	...	...	...
Rs. 751 to Rs. 1,000	...	...	...	...
Over Rs. 1,000	...	...	...	...
Total	1	7	...	5	
Pure grain	...	...	...	...
Free from debt	21	...	...	95	
Grand Total	22	7	...	100	

*Statement showing tenancy debt for ryotwari villages in
Bijegaon "B" class of the Niwas tahsil.*

Limit.	Number of tenants.	Amount	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
		Rs.			
Rs. 1 to Rs. 100	
Rs. 101 to Rs. 200	
Rs. 201 to Rs. 300	
Rs. 301 to Rs. 500	
Rs. 501 to Rs. 750	
Rs. 751 to Rs. 1,000	
Over Rs. 1,000	
Total	
Pure grain	
Free from debt	
Grand Total	

**Statement showing tenancy debt for ryotwari villages in
Mokas group of the Niwas tahsil.**

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
		Rs.			
Rs. 1 to Rs. 100	58	1,157	32	14	
Rs. 101 to Rs. 200	4	671	8	2	
Rs. 201 to Rs. 300	...	...	...	...
Rs. 301 to Rs. 500	...	...	...	...
Rs. 501 to Rs. 750	...	...	...	...
Rs. 750 to Rs. 1,000	...	...	...	...
Over Rs. 1,000	...	...	...	...
Total	42	1,828	40	16	
Pure grain	14	...	18	5	
Free from debt	204	...	...	79	
Grand Total	260	1,828	58	100	

**Statement showing tenancy debt for ryotwari villages in
Niwas group of the Niwas tahsil.**

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
		Rs.			
Rs. 1 to Rs. 100	76	2,128	9	13	
Rs. 101 to Rs. 200	...	...	...	...
Rs. 201 to Rs. 300	...	...	...	...
Rs. 301 to 500	1	325	...	...
Rs. 501 to Rs. 750	...	...	...	...
Rs. 751 to Rs. 1,000	...	...	...	...
Over Rs. 1,000	...	...	...	...
Total	77	2,453	9	13	
Pure grain	16	...	16	3	
Free from debt	487	...	...	84	
Grand Total	560	2,453	25	100	

Mr. C. J. W. ...

*Statement showing tenancy debt for ryotwari villages in
Shahpura group of Niwas tahsil.*

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
		Rs.			
Rs. 1 to Rs. 100	86	2,290	16	17	
Rs. 101 to Rs. 200	1	130	...	...
Rs. 201 to Rs. 300	...	...	...	...
Rs. 301 to Rs. 500	...	...	...	...
Rs. 501 to Rs. 750	...	...	...	...
Rs. 751 to Rs. 1,000	1	800	...	...
Over Rs. 1,000	...	...	...	...
Total	88	3,220	16	17	
Pure grain	20	...	15	4	
Free from debt	391	...	...	79	
Grand Total	449	3,220	31	100	

*Statement showing tenancy debt for the ryotwari villages in
Mahedwani group in the Niwas tahsil.*

Limit.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
		Rs.			
Rs. 1 to Rs. 100	46	1,202	28	5	
Rs. 101 to Rs. 200	1	140	5	...	
Rs. 201 to 300	...	...	...	...
Rs. 301 to Rs. 500	...	...	...	...
Rs. 501 to Rs. 750	...	...	...	...
Rs. 751 to 1,000	...	...	...	...
Over Rs. 1,000	...	...	...	...
Total	47	1,342	33	5	
Pure grain	8	...	8	1	
Free from debts	874	...	...	94	
Grand Total	929	1,342	41	100	

MR. DAYAL BHAI INDRAJI of Jubbulpore.

Reply to the Questionnaire.

I will not try to answer all questions of the Banking Enquiry Committee. I will give detailed answers to only four questions which are intimately connected with banking. My reply will not be from a point of view of a district, or a Province but from the point of view of the country as a whole.

QUESTION 1.—The easiest and simplest way to improve banking of the country is to link all indigenous banks with Imperial Bank or State co-operative banks.

QUESTION 2.—Introduction of gold currency will be possible and beneficial to the country.

QUESTION 3.—To create the saving habit among the people it is desirable to encourage insurance business and to further improve it, it is necessary to put restriction in the development of foreign companies. The point is that there should be legal restrictions on the working of foreign insurance companies.

Exchange banks are entirely in the hands of foreigners with necessary consequence that the whole of the foreign trade is in the hands of foreign agencies. I think that this should not be because it is detrimental to the interests of agriculturists of the country. It is therefore now necessary that legal restrictions ought to be imposed on the working of the foreign banks.

Necessity to aid indigenous banking and "Sharafa"—

The difference in the working of sharafa and joint banking lies in the volume of business and the system of business. Shroffs, in addition to banking, ordinarily purchase and sell cotton, grain, rice, oilseeds, gold, silver, etc., on their own responsibility or on commission as agents. Such shroffs though cannot directly help agricultural industry with money yet they help small traders who have direct dealings with the agriculturists. If this is taken in account then money-lenders render more assistance to the agriculturists than joint stock banks. This is my impression. In this way the aforesaid indigenous bankers cannot render direct monetary help to foreign traders but they help those traders who send articles of trade from villages to the principal trading centres and thence to exporting ports. This help is far more easily obtainable than the help of joint stock banks. Similarly indigenous bankers give monetary help to sugar, silk and cotton cloth industries, oil mills, flour mills, rice hullers and hand looms, etc., etc. Imperial Banks and joint stock banks do not in any manner help such industries but instead through their branches opened in the interior parts of the country attract savings which ordinarily used to be deposited with the local mahajans and then to foreign countries. Foreign traders who are mostly foreigners get as much help as they like with this money. Imperial Bank gives them full facility. In order to help inland trade and agriculture, such banks should be made to enter into agreements that deposits in their branches should be spent as far as possible, in the locality in which the branch is situated.

At this place I consider it necessary to mention the difficulty which I myself have experienced. It is that by the opening of branches of the Imperial Bank shroffs cannot get the money which formerly used to come to them. There is no prejudice against the sharafa in the country. In their transaction they keep themselves in close touch with the trade of the country. They are popular with the traders on account of their intimate knowledge of the trade conditions and the factors which govern prices. Their offices are located in the business localities and they carry on their business with economy. If therefore financial facilities are afforded to indigenous banks they can be still more useful. At present the Imperial Bank is the main fountain head of finance but its policy is not to afford facility to indigenous banks or to sharafa. It instead of giving help to indigenous bankers, does its work against their interest. Imperial Bank gets several Government funds in large sums without interest and they are used by it to carry propaganda against indigenous bankers. They naturally therefore cannot stand against a bank financed with a large capital without interest. Managers of branch are not at liberty to help even suitable traders. They have generally to depend for orders on the head office. As for instance, the Jubbulpore branch of the Imperial Bank has recently discontinued all cash

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credit accounts of all shroffs and has issued an order that hundis will not be accepted without a week's previous notice and that the acceptance will further depend on the sanction of the head office. Why should a man of credit and status agree to undergo all this trouble? He will try to avoid dealings with such a bank. A trader who has a business of lakhs of rupees but if he does not own any immovable property within the territorial jurisdiction of the branch of the Imperial Bank (although he may hold property worth lakhs of rupees in other places cannot send even a darshani hundi of Rs. 500 which can be cashed at Bombay or at Calcutta next day. The object in opening more branches of the Imperial Bank was to benefit the banking of the country but by the aforesaid policy it is being defeated. This is not enough; these branches are ruining the indigenous shroffs. In order to avoid indescribable losses and evils all shroffs jointly wherever co-operation is possible, may be appointed as agents of the Imperial Bank, where co-operation is not possible then only one shroff should be appointed as agent. Suitable security may be demanded. Such agents after their security has been taken will be able to show good results and will be a blessing to trade of the country. There is no danger of loss to the bank through their agency. It need not be emphasized that the agents ought to be appointed after careful scrutiny.

In my opinion appointment of such agents should be made in those places where there are no branches of the Imperial Bank. If this scheme is successful, then in these places where branches of this bank exist the same scheme should be brought into effect; but no new branches of the present type should now be opened. If there is necessity then branches under my scheme should be opened.

The great advantage in this scheme is that a shroff being a local man understands the local conditions fully well, and therefore he can be more useful in improving the local trade. His working expenses (stamps, etc), will be much less and he will be liked by the people. In addition to this, the majority of Directors of this bank should be Indians, who enjoy the confidence of the Indian traders and who may be able to accelerate the pace of progress. The business should be carried on in Hindi. Owing to the narrow minded policy of the British Government this country is deprived of the gold currency. I believe that with the introduction of the gold currency and spread of education and trade and development of industries people will imbibe the habit of banking. The result will be that the banks will obtain large funds from the country.

At present investment in insurance is limited. In comparison with other countries this business amounts practically to nothing. The reason is that there are foreign companies for the aggrandisement of their own selfish motive and they take away all large sums from this country to other countries. This country therefore loses an opportunity to utilize its own wealth. If the same amount could remain in India it could be utilized in trade centres. It is therefore necessary to put restrictions on foreign companies.

In the above manner the system of cash certificates instead of benefitting industry and trade of the country brings shortage of wealth, and effects them adversely, because wealth accumulated in that way is not useful for any trade in the country.

Habit of cheque should be encouraged. Exemption from stamp duty has popularized the cheque to some extent. Those who have a monthly income of more than Rs. 100 generally use cheques but the Imperial Bank does not open current account of those who have got less than Rs. 500 to deposit in the bank. In case the balance goes below Rs. 500 the bank closes the account. How is it possible for a person getting Rs. 100 or Rs. 200 per mensem to be able to deposit Rs. 500 in the bank and draw cheques. This is the reason that why cheque system does not grow.

In the shroffs money-lending on the security of goods was done at $7\frac{1}{2}$ per cent to 9 per cent. The branches of the Imperial Bank advanced money on securities of grain, oilseeds, and cotton, etc., at the rate of 1 per cent more than the bank rate. Shroffs at first felt disappointment and began to view the bank as interfering in their trade but the bank itself stood in need of the shroffs hence it afforded good facilities to them. The result was that the shroffs started their connection with the bank by borrowing large sums from it and distributing them to small traders. In this way they earned about 1 or 2 per cent as middlemen and they improved their trade as well. But the bank did not continue this procedure for a long time. It came to know with whom the

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shroffs were dealing and dividing its profits. As soon as this was known the bank stopped connection with the shroffs and dealt directly with small traders and increased the normal rate of interest from 6 per cent to 8 and 8½ per cent. In short the bank began to deal with those small traders who were hitherto financed by shroff middlemen. But small traders needed something more than monetary help and it was advice. There was no hope to get this from the bank and the result was the same as was expected. It may be enquired whether dealings of grain, silver and gold traders residing in the tract between Pipariya and Katni or Damoh and doing business with the bank have increased or decreased within the past 4 or 5 years. In my opinion their dealings are now less than half. Those traders who being tempted by the lower rate of interest had given up their dealings with shroffs and started taking money from the bank directly, are now reverting to their former practice of having dealings with the shroffs. The correctness of my statement is proved by the fact that the bank's business in grain, etc., on the system of keeping a margin of profit for itself has decreased within the last two years. In the beginning the bank did not lend money on the security of gold and silver ornaments but now a person pledging ornaments worth more than Rs. 200 can obtain a loan. Small money-lenders have therefore suffered in this way. I admit shroffs charge more interest than the bank but they are also ready to undertake the risk.

There is another difficulty in the improvement of indigenous banking; the income-tax officers examine shroff's bahi-khatas very minutely and note down the addresses of depositors with the result that they withdraw their deposits and keep them in some bank, where income-tax officers cannot dare do this. Foreign banks do not realize that it is any part of their duty to help agriculturists, banks and bankers of this country. They believe that their chief function is to develop foreign trade which is mostly in the hands of foreigners and to collect money for them. I am not against the investment of foreign capital in India but that should come through Indian methods and in Indian coin. The capital of these banks, companies of traders or of agencies should at least be in Indian currency and they should all be registered in this country and that there should be majority of Indian shareholders in them. As far as I know the Government has also acceded to this proposal.

The unfortunate effect of foreign exchange banks on this country is that foreign export trade of this country has entirely gone into the hands of foreign agencies. The direct result of it is that to export agricultural produce of the country to foreign lands we have to depend on foreigners. They are so organized that they can dictate their own rates. Railway fares from one railway station to another within the country are nearly double of those special fares station to another within the country are nearly double of those special fares

Oral Evidence.

Replying to the Chairman the witness said: I am by profession a grain merchant. I do not do any money-lending business. I purchase grain for export and I sometimes import grain for sale here. I do from 15 to 20 lakhs of business in an ordinary year. I could not explain why complaints are made against the Imperial Bank. As far as I am concerned I have no complaints. I get every convenience from it. The Imperial Bank advances money always on the security of another solvent merchant. This kind of accommodation can be obtained anywhere. For these inconveniences we find it more convenient to raise money on hundis, drawn on Bombay merchants. That is how we carry on our trade here. We generally draw hundis on our adatyas to whom we send grain. That adatya may eventually get money from the Imperial Bank. We have got to pay 9 per cent on the loans that we take. If the agriculturist has to pay a higher rate of interest, it is because he has no security to offer. I cannot make any suggestion to reduce the rate of interest on loans to agriculturists. Government may frame some rules, so that agriculturists may be directly financed by banks at a lower rate of interest. The complaint that cultivators are defrauded in grain markets is without foundation. I agree that the sellers do not always get the full price. Several cultivators borrow on condition that they will sell their grain through their creditors. This is one of the chief reasons why the cultivator does not get full price. The other reason is that he is always in need of money and as he cannot hold up his grain stocks, he has got to sell it, whatever the price he is offered.

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Replying to Rao Bahadur Brahma the witness said: The total grain dealings in the Jubbulpore market in a normal year may come to over a crore of rupees. In the markets which are run by the Municipal Committees, grain is sold through the weighmen, who act as weighmen and as adatyas. The purchasers settle the price of the grain with the weighmen. The seller remains present at the time of the transaction; but the chief transaction is carried out with the weighmen. As soon as the rate is settled, the grain is sold on the spot. Grain is sold here by weight and not by measure. These weighmen are licensed by the Municipal Committee. The price is paid by evening. The purchaser pays the price to the weighman who pays it to the seller. In some cases, the weighman pays the seller and then realizes the amount from the purchaser. He takes 8 annas from the seller and 8 annas from the purchaser as his commission. In addition, $1\frac{1}{2}$ seers per bag is taken by him, and this costs about 2 annas per seer. One pice per bag is taken for Dharmadaya. All deductions told, the cultivator has to pay Re. 1 per cent. If the cultivator does not want to sell his grain that day, he leaves it with the weighman who gives him some portion of the price for his needs. These weighmen keep the grain in their godowns, for which the cultivator has to pay rent at about Rs. 2 per month. The hundis which we draw on grain merchants in Bombay are sold here to cloth merchants who have to pay for the cloth purchased in Bombay. Exporters draw hundis and importers buy them. If the demand for hundis is less, hundis are discounted through the banks or through Bansilal Abirchand. If Government helps Indian merchants they will be able to have the foreign trade in their hands. The Indian traders do not get the same facilities as the foreign traders. If the Indian traders have got proper agents in Europe, they can retain this foreign trade in their hands. As the prices of grains are always fluctuating, we do not stock the grain here and send it as early as possible to Bombay or Calcutta and the other reason for this is that he has not got sufficient capital. I do not approve of the warehouse system for grains, because the grain here begins to rot very soon and it cannot be stored. The Imperial Bank has got bonded warehouses in Jubbulpore, Kareli, Gadarwara and Gotegaon. The bank advances money on the security of the grain locked in these warehouses. If warehouses are run on the same lines, grain merchants will be benefited.

Replying to Seth Narsinghdas Daga the witness said: The cultivators will not get more money on their grain by keeping them in deposit with the Imperial Bank or any other bank.

Replying to the Chairman the witness said: I am in favour of a land mortgage bank. As regards the character of the debentures, I am of the opinion that some of the bonds should be premium bonds on the lottery system and there should also be debenture bonds.

**RAO SAHIB K. H. DATEY, Vice-President, Jubbulpore
Co-operative Central Bank, Jubbulpore.**

Reply to the Questionnaire,

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

QUESTION 1.—(a) Agriculturists generally obtain finance from the malguzar of the village if he be in a position to lend money or from a mahajan in the vicinity or from a mahajan in the nearest town or from a co-operative credit society when they happen to be members of that body. Members of co-operative societies do not confine their borrowings to their societies but go to other sources when necessity arises and the society does not consider it safe to lend any more.

(b) and (c) Indian agriculturist is very conservative and so long as he gets his finance from his usual source, he does not like to create new creditors and he does not make much differentiation in obtaining finance for different purposes.

The co-operative credit societies lend money to their members at the rate of Rs. 12 per cent per annum during the first few years of their existence; but as their reserve fund increases, the rate of interest gradually decreases. Under the Jubbulpore Central Bank there are several societies whose members receive loans from 8 per cent to 11 per cent at present.

Agriculturists receive loans from mahajans at the rate of interest varying from 12 per cent to 24 per cent per annum according to the credit of the individual. If loans are taken by mortgaging immovable property, the rate of interest is generally 9 per cent.

Absolute occupancy land, residential house or cattle or ornaments are pledged as security; but when no ornaments are pawned, one or two personal sureties are insisted on.

The loans are taken for periods according to the purpose for which they are taken.

The Government grants taccavi advances for agricultural purposes and arranges for the supply of seed and fertilizers, when requested, through the Agricultural Department. Co-operative credit societies and professional money-lenders lend money for agricultural purposes; but the Imperial Bank of India and joint stock banks do not assist agriculturists as they wish to have their assets liquid and do not like to invest them or lend them on the security of landed property.

Grain is advanced to the agriculturists on the following terms:—

Rice— $\frac{1}{2}$ times to be returned at harvest.

Tilli—Twice to be returned at harvest.

Sun seed (hemp)—Twice to be returned at harvest.

Wheat-gram— $\frac{1}{2}$ times to be returned at harvest.

Sometimes there are complaints, that as the grain is given and received by measure and not by weight, the measurers cause loss to the agriculturists; but this defect can be remedied by insisting that the issues and the receipts must be by weight.

QUESTION 2.—When the principal crops are harvested, they are brought by the owners to the market according to their needs and according to the condition of the market and sold, generally in their presence, in the open market through brokers in whom they have implicit confidence. Sometimes the banias or the middlemen go to villages and purchase the produce on the spot directly from the cultivator.

The produce of each individual cultivator being very small and of varying quantity, there is not likely to be any appreciable advantage in forming pools.

Money orders, hundis, cheques and currency notes are the existing facilities for internal remittance.

For co-operative marketing people must have confidence in their leader, but as such leaders are very rare, cultivators prefer to dispose of their crops individually in the open market in their presence on the best available terms.

RAO SAHIB K. H. DATEY.

QUESTION 4.—There is no land mortgage bank in this District, but there are three central co-operative banks for financing co-operative societies whose period of credit does not extend for a period longer than three years, though in practice it extends over longer terms.

Land mortgage bank should be established in the province and worked to the advantage of the landholders and absolute occupancy tenants if they are not already indebted beyond their means.

(a) Every owner of land should be in possession of a parcha which should show the land in his possession. If the whole or any part of it is mortgaged to another person, the registering officer should note it on that parcha in order that the encumbrances on land may become known at a glance to subsequent creditors or the mortgage may be under a legal obligation to get his mortgage recorded in the patwari's papers.

The foreclosure and sale by the land mortgage bank in the event of non-payment should be simplified and the bank should be authorized to sell the land after giving the mortgagor one month's notice.

The working capital of the land mortgage bank should be derived from (a) deposits, (b) funds from central institution if any and mostly from (c) debenture bonds which should carry Government guarantee both for principal and interest and to secure Government against unnecessary loss, it should appoint one of its officers as a director of the managing committee and no loans should be advanced without his consent. This, in my opinion, is absolutely necessary during the first 30 or 40 years of the bank's existence in order that the other directors may get a training which is essential for running such financial concerns. Deposits for 10 years may be received at 6 per cent and debentures for 30 years under a Government guarantee will be available for the same rate of interest. If for the first issue the rate of interest is kept 7 per cent and the debentures sold by public tender, the debentures will be taken at a premium if the public have a confidence in the management. The debentures may be issued from time to time according to the requirements of the bank who should lend it at 9 per cent per annum, the difference being sufficient to cover the expenses of the bank after setting apart $\frac{1}{2}$ per cent for bad debts and $\frac{1}{2}$ per cent for a reserve fund. During the first year of the existence of the bank, the profits may not be sufficient to cover expenses when the Government should be asked to contribute towards its expenses.

QUESTION 6.—The following subsidiary industries should be carried on by agriculturists:—

- (1) Cart wheel making.
- (2) Log making.
- (3) Dairy farming.
- (4) Hand spinning.
- (5) Weaving.
- (6) Basket making.
- (7) Cotton ginning.
- (8) Gur making.
- (9) Vegetable and flower gardening.
- (10) Preparation of jams and preservation of fruit.

I have not much faith in hand spinning though it has been advocated by many eminent personages; and I am convinced that it does not add much to the income of an agriculturist.

Weaving can be done without much trouble if a central factory is established supplying sized warp.

Preparation of jams and preservation of fruit will have to be taught.

QUESTION 7.—At present there is no conflict between the co-operative banks and the other banks in the province. There is no difficulty in obtaining finance for co-operative societies as the Central Banks can easily borrow from the Provincial Bank as the latter finds it difficult to invest its money which it easily gets at $4\frac{1}{2}$ per cent though the present rate of Government borrowing is 5 per cent and that too at a discount.

There is, however, a difficulty in obtaining temporary loans at a low rate of interest for emergent payments by Central Banks till the receipt of a remittance

RAJ SAHIB K. H. DAVAR.

from the Provincial Bank and as the fluid resource of Central Banks is deposited with Registrar of Co-operative Societies, he should be authorized by Government to arrange temporary loans from the Imperial Bank of India who are the bankers of the Government of India.

The debentures issued by the Provincial and land mortgage banks should be included in the list of trustee securities as in that case they would attract capital from Court of Wards estates and Life Insurance Companies which are becoming more and more popular.

The co-operative movement has not really made much progress in the country though it has succeeded to a certain extent in reducing the rate of interest which was formerly charged by money-lenders. At present the money that is borrowed from the Central Banks is not in several cases used for the purpose for which it is borrowed and the payment that is made is not from the profits earned. It is a well known fact that in several cases, the money is temporarily borrowed from outside money-lenders for making payments to the Central Banks and it is returned to the money-lenders in a few days as soon as a fresh loan is obtained from the Bank. When such is the mentality of the members of the co-operative societies, the co-operative movement cannot be said to be working on sound lines. In my opinion when an agriculturist becomes a member of a co-operative society and obtains loan therefrom after giving a list of his previous indebtedness, his future borrowings should be considered as illegal. If such an enactment was made, there would be a check on reckless borrowing and the agriculturists will begin to think that their only source of enhancing their income lies in the improvement of agriculture and in utilizing their spare time in some subsidiary industries.

A legislative enactment such as the English Money-lenders Act will be of some use to the debtors; but nothing will improve their condition till they realize their condition and begin to help themselves and this can be brought about only by education.

The co-operative societies should be financed by Central Banks and not by the Provincial Banks as the latter owing to its distance will never be able to know the true financial position of the members. The same restriction may not be applicable to land mortgage banks whose field of operation will be limited and the bank at headquarters may be able to collect the necessary information through their travelling agent.

Part III.—Investment habit.

QUESTION 2.—Postal cash certificates are popular amongst educated middle class people; but their popularity can be increased in villages by propaganda through lectures and magic lantern shows. If the schoolmasters or the patwaris are given a small commission for the sale of cash certificates to agriculturists they are certain to explain their advantages to the villagers. But as long as the masses are ignorant, they will have to undergo considerable trouble in cashing the cash certificates and consequently the propaganda is not likely to be as successful as it would be amongst literate population.

The cash certificates should be issued at the rate of Rs. 75 for a certificate of the nominal value of Rs. 100 in order that the rate of interest at the time of maturity may approach very nearly to 6 per cent which is equivalent to 8 annas per cent per mensem and can be easily understood by the people.

Savings banks afford the required facilities to the public.

It is the middle class literate people who generally resort to such forms of investment.

Other classes can be attracted if the rate of interest is enhanced.

So far as I see the rates of interest offered by Government on postal cash certificates and treasury bills are not very attractive. They vary according to the monetary condition of the market and cannot be said to be coming in conflict with the banking institutions, as the maximum value of cash certificates issued to each individual is Rs. 10,000 and the minimum value of the treasury bills issued to each applicant is Rs. 50,000 and upwards. The former are purchased by people who do not generally resort to banks and the latter are taken by the banking institutions themselves.

RAO SATEL K. H. DATY,

QUESTION 3.—At present Government securities can be purchased and sold through the post office without any charge but they are required to be purchased at the nominal value of Rs. 100 or any multiple thereof.

The Imperial Bank does a similar business and charges a discount of $\frac{1}{2}$ per cent, but does not charge anything for remitting the amount to Bombay or Calcutta.

The other banks charge the same percentage of discount and in addition charge a small percentage for remittance, the percentage depending on the amount remitted.

Agriculturists do not possess much money and hence even if some facilities are afforded, it is very doubtful whether they will be able to avoid themselves of them.

Securities of various financial agencies can be purchased and sold through the Imperial Bank of India and other banks but they are not very popular because their interest is payable at the place of issue. If it is made payable at all the branches of the Imperial Bank of India, their popularity will increase as their yield is generally a little more than that of Government securities.

There are not very many prosperous agriculturists in this district. Many of them are indebted for reasons more than one. The money that comes in their hands by sale of produce after payment of land revenue is utilized in payment of debts and a small balance, if left, is invested in ornaments which are sold when necessity arises. The amount is not deposited in the post office, because they are not acquainted with the procedure of making deposits and secondly the few essential formalities which are required to be observed by the post office are considered tiresome by the illiterate.

Some of the farmers lend to fellow agriculturists at different rates of interest. Petty sums of Rs. 5 or Rs. 10 are given at $\frac{1}{2}$ to 1 anna per rupee per mensem, but larger sums are given at 1 to 2 rupees per mensem according to the credit of the borrower.

QUESTION 4.—Cheques are used by people who have current accounts in banks and such people form a very small minority in this country. Since the abolition of the duty on cheques, they are used more frequently. Cheques are used by people of the officer class and till the habits of saving and banking become common in the country, it is no use taking further steps to popularise the cheque-habit. If cheques are issued to Government servants in payment of their salaries, they will be unnecessarily inconvenienced.

The use of vernacular scripts in banking will make the financial transactions more intelligent to the vernacular knowing persons.

QUESTION 5.—I agree with the view that the habit of banking and investment is of very slow growth in this country owing to the insecurity of life and properties till the advent of the English and even for a considerable period thereafter and to the limited nature of trade. Besides there were very few facilities of transport. Illiterate people have no faith in the advice of the present educated people and consequently propaganda by them will not bear immediate results. If a productive work is started by Government on a share capital system and shown to the people as paying a higher rate of dividend than what they get on local investment, it will have better stimulus than all the advice in the world.

Oral Evidence.

Jubbulpore, the 18th March 1930.

Chairman: I understand that you are not now the Vice-President of the Jubbulpore Central Bank?—I am not at present the Vice-President. I held this office for one until the recent election.

Have you a wide experience of co-operative credit?—I have an experience of 3 $\frac{1}{2}$ years as Secretary of the Jubbulpore Central Bank.

You have made some suggestions for a land mortgage bank. Have you any knowledge of premium bonds?—Yes. I know of the continental premium bonds.

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Do you think that, if premium bonds were issued in place of debentures or with debentures, they would be popular or not?—Of course, they will be popular, but not to that extent as debentures. They would obtain a certain popularity; but trustee securities could not be invested in premium bonds, and debentures would also be necessary.

As regards the co-operative credit movement, should I be correct in forming the conclusion that you feel that up to now it has not been successful?—Yes, that is my view.

It has not yet succeeded in instilling the principles of co-operation, thrift and self-help in the hearts of the members of the society, although the finances of the Central Bank are quite sound?—Yes. In some cases, there has been over-financing by societies.

Do you think that money will not come back?—Some of it will have to be considered as a loss and will have to be written off. At present the Jubbulpore Central Bank are going to write off about Rs. 20,000. There may be Rs. 2,000 or Rs. 3,000 more. The total outstandings of the bank are approximately about Rs. 1,50,000.

Have you got practical instances of persons borrowing money from a sowkar to repay the instalment to the Central Bank and then taking a fresh loan from the bank?—Yes.

As regards the development of the thrift habit, which is one of the most important things of the future, you have suggested that patwaris should be given cash certificates for sale on commission. Would you extend this to village schoolmasters?—Yes.

Do you think that there will be any danger in this?—Provided there is supervision, there is not much danger and they may be only entrusted with a few certificates at a time.

You say that as long as the masses are ignorant, they will have to undergo considerable trouble in cashing these certificates. Would you explain this?—What happens is this. Many of the people are illiterate. At the time of cashing, they have simply to put in a thumb impression. The postmaster sometimes accepts them and at others wants a verification. It is very difficult to suggest remedies. Government must have some sort of guarantee that the money has been paid to the proper persons. These cash certificates are not negotiable nor are they transferable except with the assistance of the head postmaster.

Do you think it will be objectionable if bearer bonds were issued payable to anybody?—There would be one objection. If they are sold to illiterate persons in the case of loss they will be put to loss. At present, duplicate certificates can be issued, which will not be possible if they are issued payable to anybody.

Do you think that more savings banks, if opened, would be of any use in big villages?—Yes, provided the people are told of course that such facilities exist for them. Many of the people are ignorant of this.

Have you much practical experience of agriculture?—Not much.

I dare say that you know that in India the crop outturn varies very much from year to year and in one year the cultivator suffers a loss and is in very great difficulties and that in other he gets a good harvest and if he could be made to save in good years, he could tide over the bad years?—Quite true. But the agriculturists are illiterate and generally live from hand to mouth. Whenever there is a little surplus, they are anxious to invest it in ornaments or to spend it in feasts or marriages, etc.

Do you think that the villagers generally invest their surplus in the purchase of gold and silver instead of investing them in the savings bank?—Yes. It does not augment the capital and I am much against this habit.

If any campaign for rural uplift is started, would you be willing to help in it?—Yes, as circumstances permit.

Rev Bahadur K. V. Brahma, C.I.E.: Are there any co-operative sales societies in Jubbulpore?—None at present.

What do you think of the chances of co-operative sale, if introduced?—Everything depends on the honesty of the persons undertaking it. I apprehend there is paucity of honest members.

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Do you not think that the villagers would not be able to manage this themselves?—At present, they would not. If they are taught for some years and if they find that it is profitable, they would do it themselves.

Have you any idea of marketing here?—The only knowledge I possess is from what I see in the market. Generally the producer brings his articles to the market and unloads his cart in the broker's premises, and the broker finds a purchaser, and settles the price.

What is the part played by the broker?—He only helps the producer to a certain extent. Sometimes the owners settle the price with the purchaser themselves. If no purchaser is obtainable, the producer at times deposits his articles with the broker who pays him for the articles and later sells them. The broker's commission is 8 annas per cent and he has a small godown.

What is the quantity of goods sold immediately?—I cannot give this figure.

You have said that the co-operative movement has been successful at least to the extent of reducing the rate of interest which was formerly charged by money-lenders. You have also stated that in your opinion, when an agriculturist becomes a member of the society and obtains a loan, his future borrowing should be considered as illegal and that there should be a check on reckless borrowing. You have also suggested that agriculture should be improved and the agriculturists should be made to utilize their spare time in some subsidiary industries. I think that there is a bye-law which enjoins that if a member of a society borrows from outside, he is liable to be evicted?—Yes. It is not observed. I would like to have a legislative enactment which will say that all contracts entered into by the members would be illegal. I do not apprehend that, in case such an enactment is enforced, members of societies would leave the society rather than be bound by such enactment. Their powers of borrowing will be limited, but this enactment will be in their own interests.

Chairman: Would you be prepared to admit that the persons in whose hands the management of the Central Bank lies are mainly interested either in borrowing or in lending money and have no keen interest in instilling the principles of co-operation or in looking after the welfare of the individual members of the society?—There are a few persons among those in charge of the management of the Central Bank, who endeavour to instil the principles of co-operation and to educate the members on proper lines: but these are only in a small minority.

Rao Bahadur K. V. Brahma, C.I.E.: You have said that you are in favour of an enactment to forbid members of societies from borrowing from outside. Would you not like some measure by which there will be control upon the borrowings of borrowers?—If there be such powers, it is well and good.

The control could be exercised by an enactment which declares the thing illegal as you suggest or perhaps the better way would be to control borrowing by vitalising the societies in villages?—Quite true. Most of the members are illiterate. They do not understand the bye-laws. I would like to have better managers and better directors as better management is better than eviction. So long as the movement was not flourishing, legislative enactment is better.

Supposing a method was organized by which co-operative societies were to cash the postal cash certificates and afterwards recover the money from Government on small commission, do you think this will facilitate matters?—Yes, it would, if the commission is paid by Government and not by the people. The Central Bank can undertake this business. As regards the societies they have no money with them except at the time of collection and they will not be able to do this.

Professor A. C. Sen Gupta: You give some rates of "bari" for different grains. Do you speak from personal knowledge?—I have made enquiries and I think my statement is quite true of the Jubbulpore district.

About the legislative enactment to forbid members borrowing from outside, do you agree that the success of the co-operative movement has to be judged by the improvement it effects in the mentality of the members and do you feel that enough attention has not been paid in propaganda and education to effect such a change? Do you not feel that such a legislative enactment is not a good thing?—Yes. I do not consider that a legislative enactment is a good thing.

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Chairman: At present, Government considers itself responsible for the education of the people and therefore Government maintains certain educative institutions and Government does not entirely surrender its responsibility for education to non-official persons. I understand from you that the main object of the co-operative credit movement is the education of the people. Would you not be prepared to admit that, under these circumstances, Government itself is responsible for seeing that the movement is properly carried on and should not entirely surrender its responsibility to non-officials?—Yes, I do.

Are you in favour of the cry for further divesting the movement of Government control or would you like to see Government in closer touch with the movement?—The movement should be hand in hand with the Government. Very many of the non-officials do not take any interest. Their supervisory is very slack.

Would you go so far as to admit that Government is to blame for having already surrendered its responsibility to non-officials?—Unless Government takes these local men into their confidence, they will never learn the principles of the movement. At present, excepting the Registrar, Government does nothing. Recently however there has been a circular in which the Deputy Commissioner has been asked to look after these societies and to see how they are working. I welcome this change of policy and this endeavour to secure a closer co-ordination of effort between the paid servants of Government and the non-official workers.

Mr. P. D. Pundalik: You have referred in your written statement to the defects in the present system of weighing. Do you know that an Act has been passed in the local Council regarding weights and measures?—Yes.

Would you like it to be made applicable to the province as early as possible?—Yes.

It has been suggested to us that these brokers are dishonest and cause loss to cultivators. Do you agree with this statement?—No. There may be some cases but that is not the general practice. On enquiries made from cultivators, I learn that cultivators weigh their grain before bringing it to the market and hold the broker responsible for any loss.

Chairman: Do you think that the broker, as a middleman, performs a valuable service and he does not get an undue share of the profit in return for his services?—Yes, that is my opinion.

Mr. P. D. Pundalik: Do you know that brokers advance money to cultivators for cultivation purposes?—Brokers do not advance money for cultivation purposes but make advances on the grain.

While referring to small industries you suggest encouraging jam and fruit industry. Do you think there is sufficient scope for this industry?—Yes. Taking into account the quantity of jam and fruit imported from other countries, I think there is sufficient scope for the industry.

You suggest in your written evidence that the debt incurred from a sowkar by a person who is a member of any co-operative society should be considered to be illegal. May I know your reasons for the suggestion?—At present the Co-operative Central Bank has become an additional source of borrowing. When a borrower cannot get sufficient loan from a co-operative society, he goes on borrowing from sowkars and thus gets heavily indebted.

But why should the sowkar be penalized for the fault of the borrower?—I do not think the sowkar is in any way penalized. As the borrower is a member of a co-operative society he has no legal status to borrow from different villages and different sowkars.

May I know how will it be possible for sowkars to know that a particular person is a member of a co-operative society or not?—Just as sowkars take the trouble to enquire whether a land which is offered to them as security for a proposed loan is mortgaged or not so also they should make enquiries whether a person who wants to borrow is a member of the co-operative society or not. If a sowkar does not care to make such enquiries he must suffer the loss.

Do you mean to say that in such cases a sowkar should suffer?—Yes.

Do you not think that such measures will result in harassing the cultivators?—

In my opinion the aim of Government and all others is to improve the financial condition of the agriculturist and unless some restrictions are placed

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upon the agriculturist this cannot be achieved. There will certainly be some inconvenience for the first few years till they understand the principle of co-operative movement but thereafter there would be no trouble.

Rao Bahadur M. G. Deshpande: In answer to the Chairman you said that society members borrow from sowkars and pay to the Central Bank. Have you come across any such cases?—Yes. I have got this information from the officials in the movement.

Did you recommend to the Registrar for the cancellation of such societies?—I was not an office-bearer then.

Have you brought it to the notice of the directors?—They have got this information.

Have the directors recommended to the Registrar for the cancellation of any such societies?—So far as I know, they have not done so.

In reply to the question put by the Chairman, you said that non-official office-bearers have no time to supervise the work?—I only said they have not got much time to spare.

What remedies do you suggest?—There must be many more men.

Have you got any concrete suggestions to improve this state of things?—Educating the members of the societies is the only remedy. Besides this there can be no other remedy.

Do you agree with the recommendations made by the King's Committee?—I have not read the report.

You say in the written memorandum that a legislation should be enacted prohibiting society members from borrowing from other sources than the societies. What is the idea underlying this suggestion and how will the need be met if persons requiring loans are not allowed to borrow?—Needs can be curtailed and expanded to any degree. If anybody is allowed to borrow from one source, that particular source will be able to educate him properly and explain to him how expenses should be curtailed. If he goes to different sowkars, they will only see if the man is solvent or not to the extent of the loan asked by him.

Writing about the land mortgage bank, you say in the memorandum that there should be a Government official on the board and his opinion should weigh more in the matter of the administration of the bank. Do you contemplate nomination of an expert member by Government on the Board?—Any officer of sufficiently long experience would do. Because in my opinion a Government servant with longer experience does his work having regard to safety first while non-officials are always tempted to take a charitable view of the case.

Do you think it is necessary to fix the rate of interest at 7 per cent for issuing debentures?—I think 6 per cent would do.

Chairman: Do you think people will invest money at 6 per cent?—I think so, though, in the beginning people will not do it so readily. But once the people know the advantages and debentures are popularized, I think the rate could be lowered.

Rao Bahadur M. G. Deshpande: Supposing the rate on debentures is fixed at 6 per cent, do you admit that the co-operative banks will also have to raise their rate of interest on deposits?—Yes.

Do you think it advisable to fix the rate at 6 per cent?—In order to popularize debentures, you will have to keep the rate so high in the beginning and later on you may bring it down.

Are you in favour of starting some branches of the Provincial Bank at such places where there is no co-operative movement?—I do not see any use. There are Central Banks.

Would you be in favour of the proposal if such branches were opened at places where there are no Central Banks? There are no Central Banks in some districts?—I would have no objection.

Have you any idea about the taccavi loans?—No.

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Seth Narsinghdas Daga: You have said in the written statement that the co-operative movement has reduced the rates of interest charged by money-lenders. Can you tell me what were the rates of interest before the co-operative movement was started?—I have no personal knowledge but I learn that the rates were 2 per cent to 3 per cent per mensem. At present the rates vary between 9 per cent to 24 per cent per annum.

In regard to the legislation that you suggest for prohibiting society members from incurring debts from money-lenders, will you tell me if there is any register of society members maintained like the register of mortgage or sales of land as you just said to Mr. Pundalik?—There is a register of members in each village and there is also a register at the Central Banks.

Supposing a person is a member of Katni society. He temporarily shifted to Jubbulpore and when asking for a loan from a sowkar he gave his address as Jubbulpore. The sowkar made enquiries at Jubbulpore and was convinced that the borrower was not a member of co-operative society. But when the matter was taken to the court, the borrower raised the plea that he was a member of Katni society. In such a case the sowkar would have to suffer the loss. How would you remedy this?—The chances of such a case arising are always remote because no sowkar will advance any loan without making detailed enquiries and in such detailed enquiries he would know that the borrower had temporarily shifted to Jubbulpore and his permanent residence was at Katni.

Is it your opinion that sowkars should be forced to take all this trouble but the society should not?—Yes.

Chairman: Thank you.

MR. RAJENDRA SINHA, Landholder, M.L.C., Jubbulpore.

Reply to the Questionnaire.

QUESTION 1.—The agriculturists in this part obtain finances—

- (a) from indigenous bankers and malguzars of the locality;
- (b) from Government loans under Land Improvement and Agriculturists Loans Act and from co-operative bank to some extent;
- (c) at the time of crop failure they get taccavi and other loans mentioned above from Government. For revenue or rent and ceremonies they generally borrow from local bankers.

The rates of interest vary from 12 annas to 6½ per cent according to the periods for which they are taken. The period extends from 6 months to 1 year and rarely to 5 years. Short term loans are given on personal security while long term loans require the security of property. Sometime land, houses, bullocks and standing crops are also mortgaged. The part played by Government has already been mentioned, e.g., it advances loans under Agriculturists Loans Act and Land Improvement Loans Act. Indigenous bankers and money-lenders borrow from Imperial Bank or joint stock banks and advance money to agriculturists on a higher rate of interest thus serving as middlemen. Merchants and dealers too borrow from big bankers and advance small sums to cultivators. They generally supply cloth and other commodities and recover their money with a high rate of interest at harvesting time. The Pathans or Kabulis are notorious on this side in charging exorbitant rates of interest and harassing the poor villagers. They are growing a great nuisance in the villages. The Imperial Bank plays no part directly in financing agriculture as it does not advance money to rural population. The system should be changed and the agriculturists should be given full facilities by Imperial Bank. Exact estimate of total money required for various purposes cannot be given as it varies from time to time.

The total amount of grain advances also cannot be given. The amount advanced by landholders to their tenants too cannot be estimated. They advance grain on the system of Badi or ¼ times interest on the grain to be recovered at the time of the next harvesting season. The Government advances grain at 6½ per cent interest on the current money value of the grain. The chief defect is that the cultivators do not receive good seed in time. The seed advanced by malguzars is generally bad, it gets all the more adulterated because of the yearly advances from the same stock of seed returned by the cultivators. This can be avoided if the old stock is sold yearly and good seed supplied instead by agricultural farms to malguzars to be advanced to their tenants or given directly by the Agriculture Department to the cultivators. The chief defect in Government advances is the high rate at which the price is calculated by Government at the time of advancing grain which deters the farmers to avail the facility. To avoid this the Government ought to supply seed in time at the current price and lower rate of interest. There is no co-ordination between various credit agencies. The co-ordination can be effected if various agencies agree to advance money only for particular purposes.

Government can co-ordinate with Co-operative Department if it makes a special grant to co-operative banks, to be advanced to societies as taccavi loans as is done in Bombay.

QUESTION 2.—The marketing of crops in this part is simply done in this way—

- (1) generally the farmer after harvesting his crops takes it to the nearest mandi and sells it or
- (2) he sells his produce to petty dealers or retail merchants of the village who carry the grain to the mandi on horseback or carts, or
- (3) he sells the produce to the local malguzar or money-lender who deducts from it the rent or his previous loans.

In the last two cases the farmer is the sufferer as he does not get the full value of his produce because he is in need of money and wants immediately disposal on account of indebtedness.

If co-operative stores are opened and co-operative marketing started the farmer can get full value of his produce, receive money immediately and save the

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trouble of going to far off markets. The farmer requires money as soon as the crop is ready which can only be done if his crops are purchased on the spot if money advanced to him in anticipation of the sale. No such facilities exist at present except that money-lenders or merchants are ready to purchase his crops on the spot at a much cheaper rate and thus usurp the profit from him as middlemen. The part played by the bankers or merchants at this time is no more than that of middlemen as mentioned above. The only facility for internal remittance is the "hundi" system. More extensive use of bills can be done if the duty on them is reduced.

Two kinds of hundis are prevalent—

- (1) Darshini Hundi or payment at sight.
- (2) Ekseth hundi or 61 days hundi.

The only system which seems profitable is the opening of co-operative stores and adats shops for co-operative purchase and sale of grain; co-operative organizations which have the interest of the producer should be made responsible for selling the farmer's produce. The Government should help this movement by paying a portion of the cost for building godowns for such co-operative stores.

QUESTION 3.—Value of Land.—The value of land differs in different tracts according to soils and other conditions. The value ranges from Rs. 40 to Rs. 100 per acre or even more according to poor and rich tracts. In hilly tracts it is low while in Haveli it is naturally high. The value of land in the vicinity of villages is high on account of the deposited silt in them. Similarly value of double-cropped land is higher than others.

QUESTION 4.—Land mortgage banks.—Occupancy lands cannot be mortgaged in this province. There are no land mortgage banks as yet. No other banks advance money on long term credit. Indigenous bankers do it to some extent but the rates of interest are high and the term does not exceed 5 years.

The establishment of land mortgage banks is a great necessity in the province so that the agriculturists may be afforded facilities for—

- (1) redeeming their lands,
- (2) making permanent improvements in them,
- (3) liquidating old debts.

The general lines should be something like the following:—

- (1) The term of loan should range from 5 to 15 years.
- (2) The amount of loan should range from Rs. 1,000 to Rs. 20,000.
- (3) The loan should be repayable in equal yearly instalments and regular payments should be enforced, the defaulters being charged penalty rate. Postponements should be granted very rarely.
- (4) The loan advanced should not exceed 50 per cent of the value of land mortgaged.
- (5) The rate of interest should be 9 per cent.
- (6) The capital should be collected by issuing debentures for 20 years, the rate of interest being 6 per cent which should be guaranteed by Government.
- (7) The area of operation should be preferably a tahsil.
- (8) The share capital should be Rs. 40,000 for each bank, Rs. 30,000 being available for borrowing.
- (9) Taking of securities on loans should be optional.
- (10) (a) Land mortgage banks should be quite independent of co-operative central banks. It is not desirable to mix up long term and short term credit.
- (b) The process of purchase can be simplified by obtaining an award from the Registrar without going to Courts in the event of non-payments.

The working capital of the bank should be derived from—

- (a) Long term deposit.
- (b) Government or Provincial Bank loans.
- (c) Debenture bonds for 20 years at 6 per cent. The Government should guarantee at least the interest if not the capital. The debentures should be included in the trustee securities.

The terms are already referred to above. The right of tenants will have to be enhanced if the benefit of this bank is to be given to all kinds of tenants. The question of extending the rights is a controversial one and there are grounds

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for honest difference of opinion. Interested parties hold that they will lose if transferable or mortgage rights are conferred on occupancy tenants. Some apprehend that the tenants' lands will pass into money-lenders' hands if such rights are given to them. But the general opinion of the tenantry is strongly in favour of such rights because they are handicapped in getting credit in the absence of adequate security being offered which can only be done if they get those rights of transfer and sale over their holdings. Extension of some such rights seems to be necessary to some extent in the interest of tenantry but the nature and extent of such rights, the malguzar's share in it, and proper safeguards on both sides are questions still to be considered very carefully.

QUESTION 5.—I have got an estimate prepared for a village in this district. Such estimates can be prepared through the agency of co-operative banks and patwaris.

From the estimate it will appear that—

- (1) The amount ranges from Rs. 10 to Rs. 400.
- (2) The period for which the debt was taken ranges from one year to ten years which is rare.
- (3) The purposes for which the loans were taken are generally:—
 - (a) Purchase of land in 1 case.
 - (b) Purchase of bullocks in 24 cases.
 - (c) Purchase of seed in 20 cases.
 - (d) To pay off arrears of rent in 15 cases.
 - (e) To pay off old debts in 3 cases.
 - (f) For house building in 3 cases.
 - (g) For land improvement in 13 cases.
 - (h) For fooding and clothing in 11 cases.
 - (i) For trade in 2 cases.
 - (j) For marriage in 1 case.
- (4) The sources of debt are the local malguzars, money-lenders, Government and co-operative banks.
- (5) The rates of interest range from 8 annas to 6½ per cent per annum. In the case of seed loan from malguzars it is 25 per cent by the process of sawai.
- (6) Only in some cases land had to be mortgaged in order to get loan.

The extent to which the debt was increased by compound interest cannot be exactly ascertained but this much can be said that it does increase to a considerable measure.

The chief cause of indebtedness is that agriculture is a losing concern, it cannot meet the meagre needs of agriculturists and pay the expenses of agriculture. Besides they have no subsidiary industry to supplement their meagre income or provide necessities of life in times of crop failure. This is the reason why the agriculturists are getting more and more indebted day by day in spite of the best efforts of the co-operative movement.

Unless the source of their income is increased and improved there seems to be no hope to improve their lot.

The rates charged are already mentioned above. The interest is calculated yearly and generally the interest is added to the capital if it is not paid up before this period and compound interest is charged thenceforward. The methods of enforcing payments are awards by co-operative societies, legal proceedings by Government money-lenders and malguzars. The money-lenders and some malguzars generally use harsh methods for enforcing payments by harassing the debtors in other ways than legal ones.

A large number of farmers are being deprived of their lands by the enforcement of old debts and the lands are passing into the hands of money-lenders. The cultivator is naturally deprived of the incentive for better and efficient farming by this process.

QUESTION 6.—*Supplementary industries.*—The important supplementary industries prevalent are—

1. Dairy farming.—Only special classes do this on a very small scale. They generally sell their produce in the neighbouring towns. It is not done as an organized industry as yet though it has great possibilities. This can be improved if Government provides some facilities, e.g., free grazing grounds, supply of sufficient and good breeds of bulls, education in cow-keeping and last but not the least prevention of slaughter of milch cows.

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2. *Gur-making*.—This is done only in small areas where sugarcane is grown. This can also be improved by introducing good varieties of cane, speedy proceeds of gur-making and sugar-making.

3. *Gardening*.—People are so much attached to agriculture that they do not care for such an useful and profitable business. This, however, requires irrigation facilities and capital which should be arranged.

4. *Basket-making*.—Is solely done by special caste and it cannot be adopted by others due to caste prejudice.

5. *Rope-making*.—This is resorted to by the villagers mostly for their home use in spare time.

6. *Hand-weaving*.—This is also prevalent among special castes in villages. This requires whole-time work and cannot serve as supplementary industry for agriculture. It can only flourish if hand-spinning is also encouraged along with it and thus a constant and local supply of yarn ensured.

7. *Bidi-making*.—This is also a growing industry in the village but is detrimental to agriculture as it keeps away agricultural labourers from agriculture.

Thus it will be seen that all of the industries prevalent at present are either unsuitable as supplementary industries to agriculture or are confined only to particular castes. A suitable industry which may supplement the farmer's meagre income and profitably use his spare time is a crying need. The agriculturists are generally idle from 3 to 4 months in the year and thus can easily be employed in some paying concern.

Hand-spinning.—In my opinion hand-spinning is the only industry which can be most suited to the present condition of the villagers and supplement their meagre income by making use of their spare time. It has the following advantages over other industries:—

- (1) It can be availed of by all irrespective of age, sex, caste and creed.
- (2) It does not require large capital.
- (3) Its instruments can be locally made and repaired.
- (4) It does not require any special technical knowledge.
- (5) It can be done in spare time side by side with agriculturist-pursuits. It does not require whole time attention.
- (6) It does not require any special effort for marketing as it can be disposed of locally or utilised for home use.
- (7) It is self sufficient and self supporting.
- (8) It supplies the second great need of clothing the villagers, first being the food.
- (9) It is not a new industry and is backed up by tradition and free from caste prejudice.
- (10) It turns the raw produce into finished goods locally.

It is not claimed that it can bring large income but that it can well supplement and add to agriculture income by 12 per cent to 25 per cent without any special effort or large capital. This has been tried in several places and found successful. It is also making a good headway under the Local Famine Committee and Durgawati Ashram. The Government can help this important industry by supplying capital and supervising by the Agricultural and Industrial departments.

There are no credit facilities existing at present for this purpose or for any other industry. Co-operative banks can provide finance for the purpose aided by Government and Provincial Bank. No special efforts are required for marketing for all time but at the beginning marketing facilities will have to be provided by purchasing the finished goods and organizing their sale. Afterwards it will be self-supporting industry. Central Banks can do it very well through primary societies. The village society can purchase local produce, and arrange sales in village markets or city markets through Central Banks. Such banks can finance such enterprises and by providing working capital and also arranging sales.

QUESTION 7.—The only relation which exists at present is that Imperial and other banks serve as creditors for co-operative banks by granting cash credit to them.

The chief difficulty is this that co-operative paper is not saleable like other paper.

Exact estimate cannot be given.

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There is no competition between such banks.

Exemption from income-tax for co-operative societies will go a great way in stimulating co-operation. The co-operative movement in this district can be said to have only partly met the financial requirements of the agriculturists. It has not yet met the needs of the traders or industrialist at all up till now. But it can do so to some extent by organizing and financing co-operative spinning and weaving or other village industries through co-operative societies. The co-operative movement has immense possibilities before it.

The Usurious Loans Act is not much availed of by the people of this part as most of them do not even know its provisions. Even if they know them they are so bound by circumstances and necessities that they are prepared to borrow money even at exorbitant rates of interest at the time of need. Sufficient and cheap credit facilities should be established and then only they can free themselves of usurious money-lenders. I would favour some such enactment as would restrict the rate of interest charged and stop the charging of interest when it equals the capital advanced. The financing of co-operative societies should only be done through local Central Banks as they can know the local condition and keep a better check than the far off impersonal Provincial Bank.

The co-operative bank can supply more needs of agriculturists if the Government extends more facilities to it and does some of its financing work through them such as advancing of taccavi and Land Improvement Loans as is done in Bombay Presidency.

Part II—Indigenous Banking.

QUESTION 1.—The main functions of the indigenous banker are the following:—

- (1) Advancing money to cultivators for agricultural purposes such as purchase of bullocks and implements.
- (2) Ceremonies.
- (3) Payment of Government of malguzari dues.
- (4) Redemption of old debts.
- (5) Sinking of wells and other agricultural improvements.
- (6) Purchasing farmer's standing crops.

QUESTION 2.—The indigenous banker is the nearest and in most cases the only source of financing agriculturists. On every occasion they have to run for his help. He helps him at the time of need not from any benevolent view but to charge exorbitant rate of interest. His timely help charges rather too much from the poor agriculturist whose income cannot bear the burden of such a high rate. He also finances trade and industries from the same view point and in the same manner. The needy traders and artisans have no other source of finance but the village money-lender. Sometimes he is a blessing in disguise but more often a curse in disguise. But for him most villagers would have to go without money and but for him most of them would have been saved from the ruin. Thus he is a mixed evil. But in the present circumstances unless better facilities are provided for financing the needy farmer he is quite indispensable, he is a necessary evil.

QUESTION 3.—There is no definite organization of the indigenous banking system.

- (a) The amount of capital invested cannot be estimated.
- (b) and (c) Volume of business and their expenses also cannot be estimated.
- (d) The relation between bankers and Imperial or joint stock banks is that of borrower and creditor.
- (e) The facilities afforded by Imperial Bank to indigenous bankers are adequate.

QUESTION 4.—Two kinds of handis are prevalent and are already mentioned in question 2 of Part I.

QUESTION 5.—Loans are granted both on personal security and mortgages according to terms for which they are taken. Generally the terms are from 6 months to one year. In rare cases it goes beyond it. Advances are generally taken in cash except grain for sowing and other purposes. It depends on the choice of the debtor—the creditors do not insist on this. The repayments are

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sometimes made through the sale of standing crops or grain thereof through the creditors. The indigenous bankers borrow money from joint stock banks and other bankers in the city. Generally they keep themselves within the limits of their business. Fresh advances are made from recoveries or repayments.

The village bankers rarely receive deposits.

QUESTION 6.—The rates of interest vary from 2 per cent to 24 per cent on cash and 25 per cent on grain advance.

The reduction can be effected if the Government arranges to supply better grain on cheaper rates of interest. The rate of interest on cash can only be brought down by legislation and by extending co-operative credit facilities. The reduction in rates of interest will surely go to better the condition of the agriculturists, raise their standard of living and increase their resources so that they will be in a better position to spend more on agricultural improvements.

QUESTION 7.—There surely exists a marked prejudice against such money-lenders who charge exorbitant rates of interest and employ severe means to recover the money. Specially the Pathans or Kabulis are hated and disliked by the villagers as they employ such means which are objectionable to religious and social customs of the villagers. The bankers are more than sufficiently protected by law and no other facilities ought to be extended to them. On the contrary they should be curtailed if possible. The dealings of these creditors specially Pathans with their debtors are repugnant to villagers for the reasons mentioned above. They can only be checked by empowering the Police to interfere immediately where such practices come to their notice.

They should be registered and licensed before being allowed to conduct their business. They should be compelled to keep regular accounts and keep them open for inspection by the debtors. They should also submit their balance sheets yearly for inspection. At present the accounts are kept on Khatas and Bahis of bankers which are open to inspection by the debtors. They can only be verified if the debtors are literate and keep their own accounts which is rarely done.

Introduction of any such measures will, of course, not be liked by bankers who want no interference with their liberties. But they are essential in the interest of the large number of poor and illiterate debtors.

QUESTION 9.—No estimate of the net returns can be made at present without some difficulty.

QUESTION 10.—In many cases the bankers are obliged to refuse the demands from debtors—sometimes on account of the insufficiency of funds and more often due to the inadequate value of the security offered.

QUESTION 11.—Establishment of a joint stock bank with local directorate in each district will serve the purpose. The branches of reserve banks at important centres can help such local banks. The indigenous bankers should be induced to hold shares and become the directors in the bank. It is difficult to avoid conflicts with indigenous bankers as their interests will surely clash with those of the local banks.

QUESTION 12.—I do not think that there are such large surplus amounts in the hands of such indigenous bankers.

Part III.—Investment habit and attraction of capital.

QUESTION 1.—Exact amount of resources cannot be estimated. Additional capital required also cannot be estimated. The only institutions existing which encourage saving habits are the co-operative societies. Postal savings banks also exist but they are not utilized by agriculturists who have little savings left after deducting loans, cost of cultivation and current expenses. The influence of co-operative movement has decidedly been towards stimulating this saving habit as it depends on other causes, the chief being that agriculture is not a paying concern. Unless agriculture and other supplementary occupations are made more paying the savings cannot be effected. Hence the question of facilities for investment does not arise as most of the agriculturists have no considerable savings. They can hardly make the two ends meet and live hand to mouth.

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Savings bank account if opened under co-operative banks with its branches at important village centres, where good societies abound nearby, I think the people will be afforded a good opportunity and facility to invest whatever meagre sum they have got. The societies can very well serve as agents for collecting such deposits for Central Banks.

The habit of investing in silver and gold is the only means of keeping safe and investing the meagre savings which the farmer may effect in good times. But the saving does not last long as it has to be mortgaged or exchanged for cash in times of need. The grinding poverty has not even left, this little saving with the farmer and the sight of gold or even silver ornaments or bodies of villagers is daily becoming rarer.

QUESTION 2.—Postal cash certificates are not popular among the agriculturists. The villagers have not much to save, hence little to invest. Larger savings by increased income and propaganda for forcing saving habit might increase their popularity. People have some difficulty at the time of withdrawals. The hours of work are also not suited to the working classes. They may be suitably altered. Generally Government servants resort to savings banks. Propaganda is the only means of attracting other classes.

QUESTION 3.—The cheque habits is mostly confined to cities and towns and is not in vogue in rural areas. The abolition of stamp duty has certainly gone to popularize the cheque. Only educated rich classes in the cities use cheques at present.

The use of vernacular script will surely facilitate the use of cheque.

Oral Evidence.

Jubbulpore, the 18th March 1930.

Chairman: You have submitted a written memorandum of the evidence which you wish to place before the committee. Do you wish to add any further statement before we proceed to ask certain questions.—No.

You are the member of the Legislative Council for the Jubbulpore West Rural Constituency?—Yes.

With regard to the Imperial Bank, you have stated that the bank plays no part directly in financing agriculturists and that this system should be changed and the agriculturists should be given full facilities by the Imperial Bank. Are you aware that in other countries also a commercial bank does not finance agriculture?—May be.

It has been stated that the main cause leading to the bankruptcy of commercial banks in the past has been that they have dabbled in financing agriculture. Under these circumstances the Imperial Bank would not be well advised to lock up their resources in financing agriculture. I would suggest you that the proper remedy is to have a separate bank altogether for this purpose?—Until a land mortgage bank is formed, we should have immediate facilities from the Imperial Bank which should be made to advance money on long term credits.

Do you know that it is against the Imperial Bank Act to advance loans for a longer period than six months?—I did not know this. I have not much experience of the Imperial Bank.

You say that a large number of farmers are being deprived of their land by the recovery of old debts and land is passing to money-lenders. Could you give us instances of this?—I have seen several instances in my own villages.

Who finances the agriculturists in your villages?—I do not do any money-lending. I make grain advances. Other money-lenders make cash advances. I charge sawai on grain advances for a year or two. The seed is repayable at harvest. If it is not repaid at harvest, it is carried over to the next year at the same rate of interest.

I should like you to tell us about the Durgavati Ashram. Could you explain to us what they are doing?—They have established 10 centres in different groups of villages and each group contains about 10 to 15 villages. Cotton slivers are supplied to spinners who return yarn and we purchase it.

How much do the people earn?—They get about 2 annas a day, but they do not do it for the whole time.

How many hours do they work?—They work for about 4 hours a day.

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Has Government given any grant to this Ashram?—No; correspondence was going on and Government had called for a detailed scheme and promised to consider the matter but afterwards they said it did not fall under famine relief operations.

You have advocated licensing of money-lenders in the memorandum and you have also said that money-lenders may not like it. Do you recommend their licensing in spite of their opposition?—Yes.

Would you also include in this the obligation of passing receipts, though you have not stated it in the memorandum?—Yes. I would specially like stringent laws to be enforced in regard to Kabulis and Pathans as they harass villagers.

Are there many such persons?—Yes. In many villages you will find one or two.

Rao Bahadur K. V. Brahma, C.I.E.: You have advocated co-operative stores and shops for selling grain because the agriculturists lose in the transaction. What is the present system?—The agriculturists either send their produce to the market or sell it in the village to the money-lender or other purchasers.

Which of these two practices is more general?—I cannot distinguish between the two. Both of them are in vogue.

Are there any organized markets?—Yes; for instance Panagar.

Are these markets organized in the sense that they are being worked under any Act?—No. They are grain mandis.

Is there a market at Jubbulpore?—Yes, it is looked after by the Municipal Committee.

What is the season of marketing at Jubbulpore?—The season commences in April and lasts till the rain sets in when the carts cannot come to Jubbulpore.

What is the practice in the Jubbulpore market? Do the sales take place openly?—They go to the adatya or dalal and sell their produce to grain merchants through them and the grain merchants in their turn sell it to the exporting agents.

Is there any enclosure called "mandi"?—Yes.

Are the cultivators supposed to resort to that market?—Yes.

When the cultivators take their carts to this enclosure and the purchasers are present, what function the adatya performs?—He settles the rate between the seller and the purchaser and takes his brokerage. I wanted to explain that cultivators do not get sufficient profit by this method. As they are in need of money they market their goods as early as possible and therefore get the current price.

Do you mean to say that they have no staying power?—Yes.

What is your idea about co-operative stores? Do you think that there should be general stores where all agriculturists should be able to store their grain?—Centres should be established where agriculturists could store their produce and they should be given advances by the bank on the strength of the produce stored there and the bank should sell the produce when rates are favourable and make final payments to the agriculturists.

Is it your idea that all agricultural produce should be stored together in one heap or separately?—I have not thought it out in detail.

Will there be any difficulty of grading on account of the wheat of one village not being of the same quality as that from another village?—Yes, there will be some difficulty. But it could be avoided by keeping the produce separately in bags.

Chairman: Would you like to have a store in each village?—No. It would be very difficult.

Would there be any difficulty in grading if the same kind of seed were sown in all the villages? The quality would also be the same. Is it not?—Yes but it gets adulterated very soon.

Supposing the Agricultural Department arranged to do it, would it be successful?—I do not think Agriculture Department could do it so extensively.

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Supposing the Agriculture Department started the experiment in a group of 50 villages. They purchase all the old seed from those villages at the current price and instead gave sharbatia for sowing. Will you not get one common kind of grain in that group of villages?—Yes.

Do you find any objection to growing the same kind of wheat?—It is not possible to sow the same wheat in all soils. For instance, the kind of wheat sown in rocky soil and other soil will differ.

Is it possible to sow one kind of wheat in the haveli?—Yes.

Could you not form centres in each homogeneous tract with one common kind of seed?—Yes.

Rao Bahadur K. V. Brahma, C.I.E.; Where does the money for marketing come from? Does the adatyā pay it?—No, generally purchasers pay it.

What is the extent of business done at Jubbulpore?—I have no idea.

Coming back to co-operative stores, where does co-operation come in when the agriculturists themselves do not combine and hold their grain in store and sell it at convenient time?—My idea was that co-operative banks should arrange it. The banks should insist on societies of holding back grain and not to rush it into the market. If they are in hurry the grains should be stored in stores and money advances made to agriculturists. The grain should be sold when rates are favourable so that they may get the full value of their produce.

Has any attempt been made for letting the agriculturists know the current rates?—No. No such attempt has been made. When they come to the market they know the price.

Would you like the Government or any other agency giving this information?—Government can do it very easily through patwaris.

You have made some remarks about saving. An agriculturist gets all his money once in the year or twice in the year, according to the number of crops he gets, and spends it throughout the year. How does he hold his money at present?—As soon as an agriculturist gets money, he pays the kist of rent, the debt, and he keeps the balance with himself.

Would it not be better if that money is held in banks which will add to his income?—If a network of banks is created in the interior villages, then it is possible because an agriculturist living in the villages would not come to Jubbulpore to deposit his money.

Have you any idea of the difficulties in the way of having a network of banks?—The cultivator has not got the habit of depositing money. That is the only difficulty.

Would you like that habit to grow?—Yes.

What suggestions would you make to induce a cultivator to resort to banks?—Educating public opinion is the only remedy.

It is too general. Would you please explain it?—Cultivating thrift habit in the schools would be a way. The boys will be future citizens and if boys in the schools are habituated they will do it.

Are there any difficulties in starting village savings banks? Do you think the district is so backward as not to utilize village banks merely for the purpose of savings?—I do not think it is so backward.

Therefore, we need not be so pessimistic about the savings as you seem to be in your note. Is it not?—I am not pessimistic but I am afraid that they have got very little money to deposit.

Why are not the postal cash certificates popular?—In the first place they have little to deposit, in the second they lack the habit of saving.

Has any attempt been made to make the certificates popular?—No.

Would you be in favour of starting a propaganda?—Yes.

Have you any recollection of the War grain propaganda when the Tahsildars and other revenue officers made appeals to the public and the people of India under their exhortations made very wide investments in the War Loans?—Yes. It was possible because Government did it. Now the Government is not interested.

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If Government were to start a similar thrift and savings propaganda would you object to that?—No.

Rao Bahadur M. G. Deshpande: How many villages do you own in this district?—My father owns about 15 villages.

Do you do grain-lending business?—We do in villages where we have got our own cultivation.

How do you do it?—Generally we lend grain from our stock but as soon as we find that the grain is adulterated, we sell it away and obtain fresh grain from the Agriculture Department and lend it. Then for next few years, till the grain is again adulterated, we lend from our stock only.

As regards the lending, which system do you prefer, i.e., sawai system or the other?—Sawai system is better and it is more convenient as we do not insist upon immediate payment.

You refer to agriculture as a "losing concern" in your note. Have you got any idea about cultivating expenses and net profit arising therefrom?—I have not calculated in actual money value. But my opinion is that a cultivator only gets the return for his labour hardly a living wage for his labours.

You advocate subsidiary industry for making it a paying concern. Do you think that an agriculturist can find time to undertake subsidiary industry?—Certainly, he does in the rainy-season and in winter after sowing operations are over, he has got very little to do and he can certainly spare lot of his time to some subsidiary industry. He can spare more time where only one crop is sown. Moreover he can find some spare time every day except in sowing and harvesting season.

What is the rate of interest that you pay on deposits in the Jubbulpore Central Bank?—We pay 5½ per cent and 6 per cent for one and two years respectively.

Do you attract sufficient deposits?—Yes.

As regards the co-operative stores, would you please explain how will it be helpful to agriculturists if the societies will purchase grain from them at a low price, hold it in store and sell it at favourable price? The cultivator will be parting his grain at a price at which he today sells it to the baniya, the only difference being that he will sell it to the society instead of the baniya?—My idea is that the society should purchase grain at the usual low rate and then hold it with them in store and sell it at favourable time. Thereafter the society shall have to divide the profit to the cultivators according to their share. And if the bank is to store it money advances can be made in anticipation of the sales as previously stated.

You refer to the giving away of rights to occupancy tenants by *malguzars* under certain conditions. What would you suggest?—The main question in this would be about *nazrana*....The amount of *nazrana* should be fixed and on payment of such amount the *malguzar* should give a tenant his rights. In the event of sale the *malguzar* should have the first right of purchasing the land.

Seth Narasinghadas Daga: In the beginning of your written memorandum you say that the rates of interest vary from 12 annas to 6½ per cent. Is it per month or per annum?—Per month.

At another place you have said the rates are from 8 annas to 6½ per cent per annum. How do you reconcile this?—Those rates are for a particular village but they also ought to be per month and not per annum.

You have made a mention of harsh methods being employed for recovering debts by money-lenders. Have you any particular claim in mind or money-lenders as a body?—I refer to *Kabulis* and *Pathans*.

You recommend reduction of rate of interest but can you make any suggestions therefor?—It could be done by enacting and fixing a maximum rate of interest to be charged on loans.

Do you think it is possible?—Yes.

Do you realize that the Imperial Bank cannot also keep a uniform rate of interest?—I know there is a variation but fixing a maximum rate which must never be passed over can easily be done.

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Do you recommend licensing for money-lenders as a class or any special class?—I recommend it for all.

What is the necessity of showing the balance sheet to borrowers?—I will not insist upon that.

What do you think is the percentage of land that has passed into the hands of sowkars?—I take it to be 25 per cent though no actual figures have been collected.

Do you not think it inevitable to lose the land if a cultivator is in need of money and cannot borrow? Will he not sell his land to satisfy his need?—Yes. To prevent this his economic condition will have to be improved. Till then we should be protected as far as possible from money-lenders.

Professor A. C. Sen Gupta: You lend grains. Have you got different rates for different kinds of grain?—No. I have got an uniform rate of sawai.

Do I take it that you are in favour of giving rights of transfer to cultivators?—I am personally in favour of this. But I feel some safeguards are necessary to prevent the land from passing into undesirable hands.

Chairman: Do you think it will be necessary to give any compensation to the malguzars?—Yes. There is a large difference of opinion as to how much should be given. I think 15 per cent should be fixed as compensation.

Professor A. C. Sen Gupta: Have you made any calculation about the percentage of land that has gone to the hands of money-lenders in villages?—No, I have not. I have stated that it must be not less than 25 per cent.

As regards hand-spinning, you say that a man, if he works for 3 or 4 hours in the day, can earn about 2 annas. Supposing he sells the yarn in the market, would he get 2 annas, for his yarn?—No. There is no market at present. In order to encourage the industry, we have fixed the price in such a way that they may get 2 annas. If the yarn is sold in a market, it may not fetch 2 annas. But even if he profits one anna or two pice it is something where he was getting nothing. In the beginning every industry needs protection and patronage.

Professor A. C. Sen Gupta:—But it is not the beginning but the end?

Mr. Rajendra Sinha: No. It is the revival of an old industry.

Mr. Pundlik, M.L.C.: What is your experience of the present system of Government taccavi?—The taccavi advances are not sufficient.

Is the machinery for the distribution of taccavi adequate?—No.

What are, in your opinion, the defects in the present distribution of taccavi?—The amount to be distributed is fixed and it is distributed. Some get Rs. 5 and some get Rs. 10. The real requirements of the agriculturists are not enquired into.

If a man has insufficient land and wants more money, do you think he should be advanced sufficient to his requirements?—I do not say so. Their assets should be enquired into, their capacity should be ascertained, and then their needs should be met adequately.

Do you agree to having a special officer for the distribution of taccavi?—Yes, to help the Tahsildar. It will facilitate matters.

Chairman: Thank you. Good morning.

MR. D. P. BHARGAVA, Landholder Joint Secretary, Co-operative Central Bank, Lordgunj, Jubbulpore.

Reply to the Questionnaire.

QUESTION 1.—The agriculturists get finance by selling their produce, but in recent years such realization has been found inadequate due to failure of crops and they are required to borrow from malguzars and sowkars—

- (a) Obtained generally on personal security.
- (b) These are very negligible although important.
- (c) Specially from the Government and a part from malguzars for the purpose of paying land revenue and in case of failure of monsoon, For ceremonial purposes finance is obtained from sowkars.

Loan taken from big malguzars or sowkars for purposes other than ceremonial are for short term, say, about 1 to 5 years, and the rate of interest charged is about 12 per cent to 15 per cent, the security being none in most cases, provided the amount involved is not large. Loan required for ceremonial purposes are secured by mortgage of some landed property, but the rate of interest charged is the same, i.e., 12 per cent to 15 per cent. Security is demanded in such cases as the repayment is not generally guaranteed within a stipulated time.

The Government, the co-operative bank and indigenous bankers play a part in financing the agriculturists for the purposes mentioned in (a), (b) and (c). The Imperial Bank and the joint stock banks have played no part whatsoever in these matters.

In Jubbulpore the advances to agriculturists against grain by indigenous bankers may aggregate Ra. 2 lakhs in a year. The terms for such advances are that the produce is stored in bundas, possession of which is taken by the money-lender. Interest is charged at 9 per cent to 12 per cent and a margin of about 10 per cent to 15 per cent is maintained on the market value of the produce.

QUESTION 2.—In our opinion forming pools and co-operative system would improve the lot of agriculturists so far as the realization of value is concerned.

The part played by merchants in the process of marketing is, that they advance 80 per cent of the market value to the agriculturist who would like to hold stock for better prices. Interest is charged by merchants at the rate of 9 per cent to 12 per cent plus godown rent and a nominal adat. There is a considerable difference between the internal and foreign trade, for many a time a merchant is unable to hold stocks for his agricultural clients and therefore the benefit of purchases at low prices go to foreign traders such as Messrs. Ralli Brothers and Louis & Dreyfus & Co., who have at their command good resources. If a merchant is supplied with resources at the time grain is coming in, or if the agriculturists are financed through co-operative movements, good results will be obtained. This system which is prevalent in some parts of Bombay Presidency, if introduced, will be good and of considerable advantage to the agriculturists who will be able to realize the full value of their produce.

Railway receipt is the only instrument for raising money while the produce is in the process of marketing. But this privilege is enjoyed only by merchants of villages who send the receipts to their town adatyas and draw on him a darshani hundi for about 80 per cent of the value of goods. The form of bills either sight or demand is usual and does not require any change. As for the stamp duty on sight bills, it is desirable that it should be reduced. There is a practice in this town that on many occasions in the busy season and almost invariably in the slack season, of giving chits in the form of deposit receipts fixed for a stipulated time, only with a view to save stamp duty. So far no litigation has arisen in respect of advances made in this form but it cannot be said whether a court of law will recognize such simple chits as an instrument.

Opening of warehouses near railway stations will be of advantage, for even small dealers can take advantage of better prices for their stuff.

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Part II.

QUESTION 1.—The indigenous banker lends money to local merchants and agriculturists of the neighbouring places. He receives deposits from public, all of which are mostly invested locally. He also is helpful in the transferring of funds.

QUESTION 2.—Through an indigenous banker mostly trade, agriculture and industries are encouraged, as he generally applies almost all his resources.

QUESTION 3.—An estimate of the capital of indigenous bankers in this town is about 10 lakhs to 12 lakhs, which is divided as follows:—

about Rs. 3 lakhs in hundis,
about Rs. 2/3 lakhs in ornaments,
about Rs. 2 lakhs in personal security,
and the rest on mortgages to agriculturists and for petty industries.

Their expenses are very small in comparison to their income, consequently their capital is appreciating.

The relations of the indigenous bankers or money-lenders with the joint stock banks are not very cordial. There are branches of the Imperial Bank of India and the Allahabad Bank in this town. The Allahabad Bank has not been doing any appreciable advance business. They accept deposits and transfer funds to other places. The Imperial Bank has been doing advance business but their policy has been changed lately, and that policy if continued to be pursued would prove disastrous to the local trade. When this bank established its branch here it induced people by offering several concessions all of which have since been withdrawn and traders are left deserted. (For full particulars see concluding portion.)

QUESTION 4.—Copies enclosed.

QUESTION 5.—Loans and cash certificates are granted in some cases against personal security while in others the same are made on the security of a property. This depends upon the standing and respectability of the borrower and cannot be defined here exactly. The indigenous bankers have their own funds and they trade with their own capital and borrow very rarely. There is always some turn-over and therefore he is in a position, very generally, to meet the demands of his customers. If at one time he has no cash, his customer will have to wait till cash is coming forth.

QUESTION 6.—The rate of interest charged to agriculturists is generally 12 per cent to 15 per cent. Through co-operative movement this can be brought down. If any saving is made out of interest the agriculturist will invest that for the improvement of land. This can be imagined from their general tendency.

QUESTION 7.—There is no prejudice against the indigenous bankers or money-lenders. On the contrary, they are popular and are becoming more popular with the Imperial Bank adopting its present policy. An indigenous banker is duly protected by law but the protection offered to a joint stock bank is considered greater. Similar protection should be offered to these bankers. To make these people more serviceable it is suggested that they may be supplied with adequate funds by the joint stock banks. In our opinion the Imperial Bank should be asked to do this inasmuch as it has at its disposal enormous amount of Government funds, which they now use for competing with the local people.

QUESTION 9.—After allowing all expenses the return on the capital of an indigenous banker in our opinion should be about 9 per cent.

QUESTION 10.—The indigenous banker or a money-lender has to refuse business for want of sufficient funds at their disposal.

QUESTION 11.—Establishment in this town of Central Reserve Bank or a Joint Stock Bank with a capital of Rs. 15 lakhs to Rs. 20 lakhs will go far to help the local trade. Of course, there exists a bank with a local directorate, but due to a very small capital they are handicapped. Also the position of Managing Directorate who are very much hard up for ready cash reflects upon the institute and mitigates against the development of deposit business. A joint stock bank or the Central Reserve Bank may do advance business through

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established people who should offer sufficient guarantee to the bank for the safety of its money. By this, confidence of the indigenous bankers will be gained automatically.

QUESTION 12.—By the establishment of the co-operative banks in principal rural areas with authorities to receive deposits the spare funds can be made available to the local people.

Part III.

QUESTION 1.—The public are provided with the facility of investment in the post office cash certificates and post office and joint stock bank savings bank accounts. The practice of investment in gold and silver is prevalent from times immemorial but that exists mostly in rural areas.

QUESTION 2.—Post office cash certificates give a good yield but through them the spare funds of the district are being dragged away.

QUESTION 4.—Cheque habit in this district is not growing because the principal bank, the Imperial Bank, is insisting on the maintenance of a minimum balance of at least a few hundreds which a man with average income cannot afford to do. Instead of insisting on the maintenance of a minimum balance if the bank charges a nominal fee for maintaining accounts as is done by other banks, cheque habit will become popular. Due to these restrictions of the Imperial Bank which has a number of branches all over India, the cheque habit has not gained any appreciable growth even with the abolition of the stamp duty. At present the cheque habit in up-country is common only amongst well-to-do people, but if the Imperial Bank removes its restrictions with regard to minimum balance, the cheque habit will get an impetus. Of course, the bank may charge a fee of Rs. 2 or so for a year to meet stationery charges, etc. Pay to employees drawing above Rs. 100 by means of cheque will help to encourage the habit.

QUESTION 5.—There should not be any hesitation in saying that the banking and investment habit in this country is very slow. Certain amount of apathy is created towards this habit by banks, whose rules and regulations for conduct of an account are very hard to be followed. For example, an Indian woman, who cannot sign in English, is not considered by the Imperial Bank, a desirable person to be dealt with though she may belong to a very respectable family. She would be required to go before a Magistrate to get her signature verified although the bank is supplied with a specimen of her signature. Such restrictions by a premier bank like the Imperial Bank create prejudice against the banking system. Even a male member of a Hindu community has to sign several usual forms if he wishes to bank with that bank. These things are not asked for by any other joint stock banks. The Imperial Bank should be asked to waive such demands when in the ordinary course it is protected by ordinary law. Besides even in the case of deposits this bank can afford to demand many unusual things inasmuch as it has at its disposal enormous Government funds, which make the institute feel not to care for deposits from public.

The general opinion is that the opening of the branches of Imperial Bank has, instead of improving has affected adversely the economic condition in the up-country, by its ever changing policy. It is said that when the bank opens a branch it induces merchants to come to them by offering concessions, which are very usually allowed by other banks. Sometimes later when it sees that the branch has gained ground it withdraws gradually the so-called concessions, with the result that merchants are put in a bad plight. Locally this has been experienced and the Merchants' Association is putting its protest very shortly against the bank's policy.

Oral Evidence.

Bubulpore, the 19th March 1930.

Chairman: Would you like to add anything more to your written statement?—I have nothing to add to my written statement.

We understand that you are a big malguzar. How many villages have you got?—I own about 40 villages. I have about 4,000 acres of home-farm. We are the only persons who make a serious attempt to compete with the Government in modern methods of agriculture. We have all kinds of modern implements which the Government have. We have "Fordson" tractor. Every

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year we spend about Rs. 75,000 on the management and cultivation of our villages. This includes the maintenance of a staff for rent collection and general management, as well as the actual expenses of cultivating our home-farm.

I understand that you finance your agriculturists?—There are no money-lenders in our villages. We do all the money-lending ourselves. Our tenants are not very heavily indebted.

What is the ordinary rate of interest which you charge?—12 per cent per annum.

You advance loans for all purposes and for long periods also?—Yes, sometimes for two or three years. The ordinary money-lending in our villages as elsewhere throughout this district is that tenants borrow seed and cash from time to time during the year as they require it for their expenses and in normal years repay it at harvest. For the last three years, the crop has been very bad and we have not pressed our tenants to repay, if we thought they cannot do so. In ordinary years, about 80 per cent of the sums which we advance during the year are repaid at harvest, and the remainder is carried on to the next year.

How much money do you think the ordinary cultivator will borrow in the year?—It depends on his requirements. When we lend money, we do not consider whether the tenant owns 5, 15, 20 or 30 acres; but if he is a man of good substance we advance him whatever reasonable sum he really requires, looking to his status: but we enquire first of all why he wants money. The ordinary small cultivator will only borrow 20 or 30 rupees in the year in addition to grain. We advance the tenants seed at 20 per cent interest. Apart from seed, the other expenses of the agriculturists are very small. Many of my tenants never borrow any money at all. But in the last two or three years, even the rich tenants who never borrow any money, have asked us for loans, and we have financed them all as far as we could. I myself suffered very heavy losses owing to crop failures. Those tenants who are Brahmans never touch the plough and never do any work and get their agricultural work done through labourers: but all the other tenants, Kurmis, Gonds, etc., do their own agricultural work themselves and do not employ agricultural labourers. The big tenants with very large holdings are, of course, compelled to employ farm-servants or agricultural labourers to supplement their own labour. Nobody has very large holdings except the Brahmans, as a rule. I do not wish to caste any reflections on the Brahmans because I myself am a Brahman. I myself have no objection to take a part in agricultural work in my estate. The real agricultural expenses of agriculturists are for the purchase of bullocks when they die, for embankment of lands if the land is embanked and for seed. Apart from this, they spend a good deal of money on marriages and other ceremonies and caste feasts. The ordinary small cultivators do most of the cutting of the crops themselves with their families: as soon as the crop is ready for cutting, they even work in the night and do everything they can to cut the crop as quickly as possible. I myself employ some of my own village labourers and others from the Rewa State. We pay in grain for the cutting of the crop and we have a fixed statement drawn up showing how much grain we pay for each field. For some fields we pay one khandi and for others we pay one kudo, according to the size of the field.

For one khandi of wheat seed, what outturn do you hope to get?—In my cultivation, I do not ordinarily get more than 8 or 9 times the seed for wheat. The ordinary cultivator would not get as much as I do, because I use all the best methods of cultivation and use selected seeds. The ordinary cultivator ought to get 6 times the seed.

What do you mean by your recommendation to supply the merchant with resources when grain is coming into the market?—The Imperial Bank do advance money on grain, but only to a limited number of persons in the city. If there are malguzars in the interior who might like to store 1,000 bags of grain in their own village under the custody of the Imperial Bank, the bank is not as a rule willing to advance any money to these people. As regards myself, I obtain advances from the Imperial Bank, because they know I am a man of good status. Government should open warehouses at railway stations wherever possible and people should be allowed to keep their grain in them, so that they may easily send them to Bombay and Calcutta at the most favourable time. Moreover, another advantage in this arrangement is that people will save Octroi duty.

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You say that the policy of the Imperial Bank has been changed lately. Would you explain this?—As a matter of fact, the Imperial Bank do not want to do business with the public, but only with the Government. This is my opinion.

Could you tell us something about the Bhargawa Bank?—I am only a shareholder of the bank. But I know that this bank does not attract as much deposits as the Imperial Bank, although it pays a higher rate of interest.

You say that there are no prejudices against the indigenous bankers or money-lenders. Many witnesses have complained about some of them?—When I say that there is no prejudice against indigenous bankers or money-lenders, I mean the good indigenous bankers and money-lenders. There may be some bad money-lenders. There are many big malguzars and money-lenders, who are harsh and hard-hearted and hence unpopular. But they are exceptions.

Professor A. C. Sen Gupta: You lend grain. Are there different rates of "barhi" for different kinds of grain?—No.

You mention the rate of interest is 12 per cent to 15 per cent, whether the debt is secured or unsecured. Is it the same rate even on mortgages?—This is my rate of interest. But there are people who charge 24 per cent and even more.

You talk about stamp duty on sight hundis being reduced. Do you know that these hundis are exempt from duty?—I mean the "mudati" hundis.

Rao Bahadur M. G. Deshpande: Who cultivates all your home-farm?—I cultivate all my home-farm myself. I never lease them out.

How many pairs of bullocks do you engage for cultivating all this land and what is your net income from agriculture?—I cannot state this without reference to my accounts.

Have you tried the "Fordson" tractor in your villages?—Only in a few villages. In the beginning it gave satisfactory work for a few days, but not afterwards.

Have you used steam tackle in your villages?—Yes, I have. It is a good thing. I have brought about 300 or 400 acres under cultivation with this.

What is your opinion about the Agriculture Department? Do they really help the agriculturists in this district?—Unless and until they are forced by the non-official agencies, they do not help. We have got District and Tahsil Agricultural Associations and in one Tahsil Association, the Agricultural Assistant is the Secretary. The ordinary tenant does not get any help from the Department. Big people like myself get some help.

Do you advise your tenants to purchase "Monsoon" ploughs?—I have got "Meston" and "Monsoon" ploughs and I give them for trial to my cultivators. My opinion is that modern implements are of great use for cultivation.

If a tenant fails to repay the seed at the due date, do you convert it into cash?—No. We lend grain for three years. Every year we close our accounts and by that time everybody pays his debt. When a loan is renewed, we get signatures on our account books.

Do your tenants return good quality seed to you?—Certainly. They have no bad seed.

Are you the Secretary of the Co-operative Central Bank here?—I am Joint Secretary for the past four years.

How many societies have you got?—164 societies.

It was stated yesterday that your society members borrow money from sowkars to repay the Central Bank. Is it a fact?—On account of pressure from the employees of the Central Bank, they have to borrow from outside to repay the society's loan at the due date. I have no knowledge of this, but I have heard. Such instances are very rare.

What is the rate of interest on deposits in your bank at present?—It is 5 per cent for one year and 5½ per cent for longer periods.

What is the rate you charge to the societies?—They are different; but it is not in any case more than 12 per cent. In some cases it is below 12 annas.

Can you suggest any means to reduce the rate of interest to society members?—I cannot give you any reply now.

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Do you know the rate of interest charged by the Provincial Bank to Central Banks?—It is at present 6 per cent.

If the branches of the Provincial Bank be opened in place of the Central Banks, do you think that society members will get money at cheaper rates?—In my opinion it will be better to close the Central Bank and have branches of the Provincial Bank, if by doing so members could get money at cheaper rates. My opinion is that members are generally pleased, and there are some members who do not owe at all. In my own villages, there is no co-operative society. If my tenants get cheaper money, they are at liberty to take it. When they can borrow from one man at 12 per cent, they will not go to the society and borrow at the same rate on joint responsibility. The co-operative movement is good: but joint responsibility is not a good thing.

Do you think that cultivators ought to be given rights of transfer on lands?—I have not studied this question and I am not prepared to give a responsible opinion on this.

Are you in favour of starting a land mortgage bank?—Yes.

If occupancy tenants are given the right of mortgaging their holding to the land mortgage bank, have you any objection?—No.

Chairman: Thank you.

MR. M. L. BHURA and DR. GEORGE DESILVA, Representatives of the Merchants' Association, Jubbulpore

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

Reply to the Questionnaire.

QUESTION 1.—(a) In this district an agriculturist obtains finance in the following manner:—

- (i) by mortgaging gold and silver ornaments;
 - (ii) by mortgaging cattle;
 - (iii) by entering into a contract of service;
 - (iv) in the form of grain;
 - (v) by co-operative banks on joint security (this is advanced only for agriculture purposes);
 - (vi) on a written stamp bond, etc.
- (b) In the manner shown above except by the co-operative banks.
- (c) In the manner shown above. Government also advances amount to a small extent for agricultural improvement and also when crops fail owing to failure of monsoon.

The rate of interest varies. If one takes loan on pledge of his gold or silver ornaments, houses, etc.; the rate of interest is less but the rate of interest is high on loan taken on bonds or stamps. The rate of interest in this district therefore varies from 12 annas to Rs 2 per cent per month and the period of repayment varies from 6 months to 3 years for after 3 years the period of repayment expires. The security is taken only of ornaments, house, field, cattle, etc. The status of debtor is also taken into account as to what valuable property he holds. There is no practice of mortgaging standing crop and if there is, it is almost nil.

There is no assistance for agricultural purposes from the Imperial Bank, joint stock bank and other indigenous bankers. The indigenous bankers advance loan only on mortgage of property and with a business point of view. Assistance is also received from Government in the form of cash and grain.

Usually Rs. 20—25 lakhs are required for this purpose in this district, while grain advances to the value of Rs. 4 lakhs to Rs. 5 lakhs are given. The need is even greater but the agriculturists take loan for the purchase of grain. The condition in regard to grain advance is that it is to be repaid one and a quarter times the original advance. There is no defect in the prevalent practice, there is of course some effect on sale of his outturn if an agriculturist has taken a loan in cash for it. If he has taken grain advance he repays it when the crop is reaped, but if he has taken loan in cash, the creditor presses for his amount and the agriculturist is thus forced to take his produce to a market for sale. He cannot therefore take the benefit of the market price. The agriculturist would no doubt be benefited if a condition is made that he should repay his loan after 6 or 8 months from the date of the harvest.

Again he should be able to mortgage his land to repay the loan. At present he is not permitted to do so.

QUESTION 2.—The method of marketing crops in this district is that agriculturists who get a small outturn sell their produce to big agriculturists in their village or to the malguzar. They then take it to tahsils or towns and sell it through brokers to the merchants, there. If attempt is made for forming pools and if produce is sold on a co-operative basis it will be advantageous to agriculturists and it is also likely to afford many other facilities to agriculturists. Such an arrangement can be made with a small effort.

At present there are no facilities for agriculturists for transporting their produce to market places. Owing to katcha roads agriculturists are put to much inconvenience, trouble and expense. If village roads are improved it would afford them many facilities. Bad road is their first and primary difficulty. At present when agriculturists take their produce to markets, merchants advance loan 70 per cent to 80 per cent of their grain value at 12 annas per cent when their grain is sold the agriculturists repay the amount. These merchants then keep grain in the Imperial godowns and take advance on it from them and when the time of selling comes they take delivery of their goods and sell it. But there are not many branches of the bank nor there are many merchants who can advance money.

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Agriculturists have therefore to sell their produce. Sometimes agriculturists cannot even keep some grain for seed. This is the reason why there is so much difference between Indian and foreign trade. The facilities which foreign merchants enjoy are not allowed to Indian merchants. The Ralli Brothers and Louis Dreyfus and (Company) enjoy many privileges. They can stock goods amounting to lakhs of rupees and earn immense profit. They afford every facility for carting the produce, etc., and keep it with them and advance 80 per cent of the value to cultivator. They also try to obtain good price for farmers produce.

QUESTION 2.—(6) For internal remittance the amount is sent by means of darshani hundi. This is the best and lest costly system of remittance. But when one is unable to obtain a hundi (for hundi is only given if the person concerned has his own shop or has to receive the amount of goods sent by him) he remits the amount by registered insured letter. There is no defect. Merchants in this province make use of hundis. There are two kinds of hundis darshani, i.e., at sight and mudati (i.e., on due date).

Mudati hundi (form).

To Shripatri, brother Sausidhar Gopaldasji, greetings of Bansidhar Gopaldasji of Jubbulpore. The above hundi of Rs. 1,600 (sixteen hundred), the half-eight hundred its double be paid to M. Sawni Swyai Mohanlal Pachouri on the 1st day from the 10th Kumwa.

Darshani hundi (form).

To Bhai Haniramji Garnidranji Narayanji of Bombay greetings of Parasakh Chansukh of Allahabad. The above hundi of Rs. 1,000 (one thousand) the half five hundred its double be paid to Mr. Gopalrudhakisanji at once. Dated 10th of

The mudati hundi will be cashed at the place where it is written while the darshani will be cashed at the place to which it has been given. If one wants to sell his darshani hundi in his own place he can do so by selling it to the agents or other merchants according to market value of that hundi.

QUESTION 2.—(13) Usually the railway receipt is produced. The rates of other expenses, e.g., carting, sowing, measuring, etc., are fixed. The sender sends an estimate of these expenses and it is ascertained whether the expenses so charged are fair. Railway receipt is a sufficient proof of goods and in order to take money on it a hundi of 80 per cent of the value of the Railway receipt is made. The rest of the amount is recovered on the sale of the goods. The goods that are not sent by rail the sender brings it himself or sends it through his servants with an unstamped receipt which is taken as an authorized note. There is a system amongst merchants that if they were even to advance money to other merchants they would only make an entry about it in their account book. But as time is against this procedure merchants should adopt legal ways in this respect. (15) If godowns are established at every railway station small agriculturists will stock their grain in them and reap the benefit.

QUESTION 3.—The value of land depends on its outturn and bandhans, etc. It fetches value varying from Rs. 25 to Rs. 200 per acre. The land which is well bounded giving good outturn, which is near water or is near irrigation channel, fetches the highest value.

(a) Land sold in Government auction fetches the least value. When land is sold in auction the purchasers bid the lowest price for they know that the land would be sold and the Government servants do not care for its fetching any higher price for they know that the remaining amount of debt will be recovered by attaching other property and auctioning it. The land which would have fetched Rs. 100 is sold for Rs. 60 only.

(b) The land sold in auction through a civil court fetches a higher value than the above and the price for the same land would go up to Rs. 80 for the creditor is anxious to recover his amount in the same attachment to avoid unnecessary cost of litigation in future.

(c) Land sold in private negotiations fetches the highest value, for the seller would sell it to him whose offer is the highest.

QUESTION 4.—There are legal impediments. Occupancy land cannot be sold or mortgaged. Lands of other rights can be sold but the malguzar places such a high amount of tika (nazrana) that the seller is always at a loss. There is no bank here which advances loan on land mortgage. The co-operative bank mortgages to some extent.

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A bank can be established for such purposes by raising its capital by shares. The co-operative bank has not been successful in meeting these difficulties. A bank should therefore be so established as would meet these difficulties and capital for it should be collected.

QUESTION 5.—It is very necessary that an estimate is taken of the total indebtedness of the agriculturists. Else those who have taken loan and those who have given loan, without ascertaining whether the client had a previous debt, both would be ruined.

It is very difficult to estimate the indebtedness for usually indigenous bankers and malguzars advance loans and they also take loans and as such it is difficult to estimate accurately. It may, however, be said approximately that the total amount might be Rs. 40 to Rs. 50 lakhs.

Loan is usually taken from co-operative bank, malguzar and bankers. Generally cultivators get loans from the malguzars and malguzars get loans from co-operative banks and indigenous bankers. Owing to non-payment of interest the principal is within 10 to 12 years doubled by compound interest. This of course depends on the rate of interest.

The rate of interest is between 1 per cent and 2 per cent and on amounts within Rs. 50 it is Rs. 3-2-0 per cent. The method of recovery is that the client is always pressed to repay the amount, and if he does not, a suit is filed and the amount is recovered by attaching his property and auctioning it. The interest is calculated at compound interest, if no interest is paid.

Very few efficient farmers have been ruined because of the debt contracted by their forefathers. But those who are ruined their property has passed on to the sowkars; such farmers are, however, few. The farmers where irrigation is available are really very poor for they contract (wine) drinking habit and thus ruin themselves and at last go to jail. In the tract which is visited by famine, the farmers have already been ruined and they are required to earn their livelihood by labour. The farmers of the tract which is not usually visited by famine are somewhat better. Condition of agriculturists as shown above is existing since long. From year to year they are discouraged to produce more and it will continue.

QUESTION 6.—The following are the industries in our district which are allied to agriculture:—

- (1) Milk dairies.
- (2) Gud-making.
- (3) Sann hemp—rope-making, etc.
- (4) Chatai, baskets and other articles of bamboos.

If efforts are made, these industries can be encouraged, for instance, Government should enact a law that no one should sell adulterated articles or else he would be punished. *Ghee* is much adulterated by mixing vegetable *ghee* and thus those who deal in pure *ghee* are discouraged. They cannot even get the amount invested by them. Similar is the case with sugar. Foreign sugar (*morahi*) is ground and sold as indigenous sugar. The indigenous businessmen are therefore much discouraged. A law is therefore very necessary.

Cultivators can be taught spinning, carpentry, masonry and other crafts, so that they may be able to undertake some work in their leisure and thus increase their income. It should be ascertained as to what articles the cultivators can make are required in towns. Financial help would be necessary and this should be given in the form of loan. This loan they can get from societies about which reference has been made. This can, however, be advantageously got by establishing co-operative or joint stock banks. At present there is no such institution which can finance these industries. An institution of joint partnership should be established in cities and only the farmers should be its shareholders and they should manage it, by electing some members on that institution. It should stock all articles manufactured by agriculturists and should purchase these articles and make payments immediately.

QUESTION 7.—There are four banks in this district, viz., the Imperial Bank, Allahabad Bank, Bhargava Bank and co-operative bank. The co-operative bank deals mainly with the agriculturists. The Bhargava Bank has very little capital and it would not be improper to say that excepting its shareholders and its directors it has hardly any dealings with others. The Allahabad Bank also has not as much capital as the Imperial Bank has and as such its business is also

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limited in the city. There has been no change in the dealings of these three banks. It is what it has been. The Imperial Bank has dealings with all the bankers, but owing to changes in its policy its relations are not very congenial. If any banker deals with the Imperial Bank and also with the Allahabad Bank the Imperial Bank would not brook it. If it knows that its client has dealings with other banks, it would ask him either to stop dealings with it (Imperial Bank) or with other or else the bank would stop its dealings with him. This is a very selfish policy. The other banks have very cordial relations and there is always the dealings of hundis, cheques, etc., among them.

II.—Indigenous Banking.

QUESTION 1.—In this district there are three kinds of indigenous bankers:—

(i) Those who invest their capital in *mudati* (due date) loans, hundis, mortgages, etc. They also advance to a small extent according to the status of their clients.

(ii) Those who invest their capital in business of gold and silver, cloth, grocery, etc., and they also utilize some of their capital in advancing money to other bankers on *mudati* hundis. They also invest on mortgages.

(iii) Those who utilize their capital in business only. If they want money they get it from the above (i) and (ii) types of bankers on *mudati* hundis. Loans on hundis are only obtained by bankers of some credit and status and the rate of interest is also dependent on their status and credit.

The first two advance loans on the mortgage of gold and silver ornaments and on *malguzari* villages, etc. The bankers of the second type advance loans to bankers of the third type and the amount is always at their debit. They [i.e., (iii) type] always purchase goods from them and also make payments. Bankers of (i) and (ii) class also receive deposits from public and give interest thereon. They also deal in hundis and act also as commission agents.

QUESTION 2.—The indigenous bankers help others who carry on business. Usually a business man takes a loan from one who also deals in the same business. Ordinary business men do not get as much financial help as they need, but some help they do get.

Bankers used to help those who carried on some industries, but they have now no confidence in their dealings. Formerly they used to purchase shares of such industries, but they do not do so now as nearly 80 per cent of such industrial concerns have failed. The reason is that these concerns have to compete with others and the directors and managing agents always try that the shareholders should not get any dividend so that the value of shares may fall and they would purchase them and they make it their own concern. This is the reason why bankers do not help such concerns. These bankers do not help the agriculturist in the agricultural improvements for they have no concern with them. In order to sell they give on credit gold, silver, cloth, etc., only *malguzara* help the agriculturists to some extent.

QUESTION 3.—(a) In this district some 15 to 20 lakhs of rupees are advanced on *mudati* hundis, 5 to 7 lakhs of rupees on credit, 8 to 10 lakhs of rupees on mortgage of ornaments and 10 to 12 lakhs of rupees on the mortgage of houses, villages, etc. The amount of capital invested is therefore Rs. 30 to Rs. 40 lakhs.

(b) The manner in which business is carried on has already been given.

(c) The expenses of business might seem to be less, but there are many reasons for it. Even then the expenses would be 20 per cent of the profit.

The expenses would be less if in the business the persons required are from the same house for their remuneration would not be taken into account. But if in the business there is only one person and he is required to engage others for his business, the expense would greater. The expenses in such cases amount to 20 per cent of the profit.

(d) The business relations among the bankers are satisfactory.

(e) There are four banks in this district. The co-operative bank deals with the agriculturists, *Bhargava* and Allahabad banks have dealings with few indigenous bankers for they have limited capital. The Imperial Bank has sufficient capital for Government has kept much of its amount with it without interest. This bank therefore does extensive business.

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A branch of the Imperial Bank was established in 1922. In the first year it did not do anything to have dealings with the indigenous bankers. The agents and its officials went to the bankers and explained to them the facilities which the bank would afford them. The bankers are, however, reluctant to have dealings with the bank, but they, however, opened their accounts with it. The bank also opened their accounts in its Bombay head office. If any banker wanted to remit any amount, say, Rs. 5,000, or so, the bank used to credit that amount here (Jubbulpore) and an intimation was sent to Bombay office. No commission on this transaction was charged.

The bank also opened cash credit accounts of the bankers in order to afford them financial help and the banker was only required to give a pronote for such an account.

For transacting grain business a mukaddam was appointed in every tahsil and town and the bank transacted business with other bankers. The bank thus tempted indigenous bankers to trade. The bank cashed their cross-cheques and did not charge any commission. Very little commission was charged on hundis.

In order to start salt business, the agent made a contract with the merchants that if they gave their business to such and such extent, bank would give them commission.

In order to transact the business in town and tahsils, the bank made a contract that if they gave them business to a certain extent, the bank would enter into a contract for such and such period. The bank also made a contract with the bankers to purchase gold and silver through the bank on a small commission. It also made a contract to keep gold and silver ornaments on a small commission.

The bank thus gave many allurements and thus increased and established its business. When the bank learnt that business men are now running of their own accord to the bank for their business, it changed its policy. Its relations with the bankers, etc., became less and less cordial.

The officials of the bank slowly began to work against their aforesaid policy. They began to take security from bankers who borrowed money they had to give of other bankers. Recently the bank informed that all those who made cash credit accounts should repay the amount outstanding against them. Thus some bankers were put to much difficulty for they have invested their capital elsewhere. The officials of the bank pressed them for the amount and thus they were disrespected.

Those mukaddams who were employed for business of grain were gradually removed and traders were told to deal with the bank in this respect.

The bank began to take commission on the amount which bankers, etc., used to deposit in the bank for transmission to their Bombay account and the bank stopped this privilege also.

The agent also stopped dealings in gold and silver ornaments after fulfilling the contract previously made.

In one word the policy of this bank has been very selfish. Its policy has always been changing and the indigenous bankers, etc., are therefore afraid of having any dealings with the bank.

Now the dealings of the bank with them is 2 or 4 annas in a rupee, and the officials of the bank are again approaching them to open their accounts. There is, however, no hope that they would again succeed. It is not known why this bank should have adopted such a policy. Most of the Government money is locked up with this bank without interest and Government affords many facilities to this bank. But why its dealings should be so unfair is a matter of surprise. The directors of this bank should institute enquiries in this respect of visiting the various places where its branches work, or else Government proposals of starting other banks would be futile if such policy were to continue.

QUESTION 4.—There are two kinds of hundi forms of which have already been given. Loans are advanced in three ways—

(i) Sinkhat (this is written in a book which is kept by the bankers) Form. This sinkhat (cash credit) is written by Motilal, son of Dalchand Karia of mauza Patan, district Jubbulpore; to Seth Bholenath Garibdas.

Rs. 50 (rupees fifty) on 15th Sawan 1986.

Stamp signature of the receiver.

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(ii) Receipt (pronote) for Receipt is written by Motilal Dalchand Karia of mauza Patan, district Jubbulpore, to Seth Bholanath Garibdas of Jubbulpore that the amount of Rs. 50 (rupees fifty) taken by me from you has been received and that I will repay it with interest at the rate of 1 per cent per month.

Stamp signature of the receiver.

(iii) Loan bond (form). This bond is given by Seth Bholanath Garibdas of Jubbulpore by Motilal, son of Dalchand Karia of mauza Patan, district Jubbulpore, that the amount of Rs. 50 (rupees fifty) which I have received from you for the marriage of my daughter (and for any other reason) will be repaid within one year with interest. I will pay interest at the rate of 12 annas per cent per month. If the amount is not repaid in one year, I will pay a rate of interest of 1 per cent per month. Even if this is not paid then you have the right of filing a suit and thus recover the amount from my property. This bond has therefore been written so that it may be used, if necessary.

Sawan 1986 Samvat.

Signature of the debtor.

1. Witness _____

2. Witness _____

(i) and (iii) forms much in vogue (ii) is not much in vogue.

The indigenous bankers advance loan on their account books and credit is given to the client according to his status which they ascertain after he had dealings three or four times. Such credit is not usually given in respect of cash, but in kind, e.g., gold and silver ornaments, cloth, grain, grocery, etc. No security is required for this, but credit is given only according to their status. Petty dealers who have no immoveable property nor capital have to give security. The bankers who give credit have their own capital and also take loans on hundi. They also receive deposits and pay interest thereon. Bankers advance loan on mortgage of ornaments and house to those merchants whom they do not know. The conditions in this respect are that they should at least make some payment every month by cash remittances and by purchasing articles from them and that the account must be cleared in Divali. If a good client is unable to pay off his account in Divali, the balance is shown against his name and a receipt is taken for it. In respect of loans advanced on mortgage the condition is that interest must be paid every year. If owing to fall in prices there is any loss, they must make good the amount thus short otherwise their articles are sold and the amount is thus recovered.

The source of taking loan for big bankers is hundi (*mudati*) by which they collect capital.

The rate of interest paid by indigenous bankers on deposits depends on the status of the bankers. It varies from 7 annas to 12 annas per cent per month.

In this district the bankers also deal in other business which is given in answer to question No. 1. In respect of repayment of loan the practice is to repay it in cash. If, however, one is unable to repay it in cash, one is allowed to repay in kind. If the banker requires those articles he receives them in repayment or else he sells them at favourable rates.

QUESTION 6.—Nowadays the agriculturist gives interest at the rate of 1 per cent to $1\frac{1}{2}$ per cent per month to the banker in respect of his loan in cash or kind and not more. High rate of interest is usually charged on smaller amounts, on bigger amounts the rate is 1 per cent. The only way to reduce the rate of interest is that the indigenous banker should also get money at cheaper rate. For they are also required to borrow money from others at higher rates of interest. Or an institution should be established which would advance loans on low interest.

It is, however, doubtful as to how an institution would fare for the bankers have had to write off many amounts. Effort should therefore be made that the bankers get loan at low interest, and the rate of interest would thus automatically fall.

When the farmers get loan at cheaper rate of interest their income would also proportionately increase for they would not be required to pay a higher rate. Their income would not, however, increase to such an extent as would be by other methods.

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QUESTION 9.—After excluding the legal expenses, management charges, etc., the net return to the indigenous banker is about 12 annas per cent on his capital.

QUESTION 10.—Indigenous banks and bankers are not able to meet all demands but they do so to some extent. They have to refuse loan owing to insufficient security. The indigenous banker has hardly any such capital lying idle which he cannot profitably invest. All their capital is invested, they deposit it in a Provincial place. The reason why capital is increasing is that there are some rich persons, who do not invest their money in business or loans, but they deposit the amount there. Again high officials, pleaders, doctor, etc., deposit their savings there. The amount is thus increasing.

It is therefore necessary that their amount instead of being deposited there should be invested in the district so that others may take its advantage.

III.—Investment habit and attraction of capital.

QUESTION 1.—In answers to question in regard to banking, the prevalent practice has been given. We only want to state that the dealers in gold and silver purchase and sell it. Similarly those dealing in cloth, grain, grocery, etc., purchase and sell it.

Some 30 to 40 lakhs of rupees would be required for this.

There are at present two ways of investing the savings:—(i) the purchase of postal cash certificate and (ii) the purchase of gold and silver. The post office savings bank is also helping in this respect. If the post office affords more facilities, people would be encouraged to save more especially petty men.

In India the practice of purchasing gold and silver is of a long standing. There is very little loss in this practice while the advantages are many. The amount saved is invested in gold and silver and they are used as ornaments and are like reserve capital. It is seen that in cities and in villages if one is unable to obtain loan because of his poor condition this reserve capital (ornaments) comes to one's rescue and thus saves his credit. It is not only the poor but even rich men if they are unable to obtain loan they sell the ornaments and thus manage their affairs. Those who do not like to purchase ornaments do not get loan at times when required and have to request many for it. When amount is available the ornaments so mortgaged are released. This system is therefore very useful.

In our district, especially in the city, the practice of purchasing cash certificates is satisfactory. Only those who do not deal in any business invest their amount there, e.g., servants, doctors, pleaders, etc., merchants or indigenous bankers do not usually purchase these certificates for their amount is always increased in their business. These certificates are much in vogue and the amount in the city which formerly was deposited with the bankers and was thus utilized in business is now utilized in purchasing these certificates. The change in its rate of interest is not satisfactory. The former rate, i.e., 75 per cent should be restored.

Interest is paid after a year, it should be paid after six months.

The savings bank does not afford many facilities to the public. Necessary changes should therefore be made in its rules. In this way servants, pleaders, doctors and other petty dealers deposit their savings.

QUESTION 3.—No facilities are afforded by the Imperial Bank in respect of purchasing or selling Government securities. It only purchases and sells. It sometimes takes commission for this. This business is done only by the Imperial Bank. The Allahabad Bank deals to small extent for the public do not yet know (that it also deals in this).

The amount received by the sale of produce is first paid towards debt and ornaments are released if they were pledged. Some amount is spent in purchasing household necessities and some amount is also spent in purchasing gold and silver, and whatever amount is left is kept in the house. The farmers can hardly make any saving on account of their poor condition. They have not so much money as to invest anywhere.

The farmer also advances loan to another farmer on the condition that it is repaid in one year either in cash or in kind.

The agriculturist invests his savings as stated above.

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QUESTION 4.—The system of cheque habit is prevalent, but it is not as it should be. The reason is that persons are required to go a long distance to cash the cheques, for which they are required to hire a tonga, etc., again a whole day is spent in getting the cash amount of the cheque. Much time is thus lost. Bank has not yet made any effort to see that cheques are cashed early. When good many cheques are received they are then put up to the agent for his signature. No doubt the effect of abolishing the stamp duty on cheques has been good and people have also begun to resort to cheque habit; but even then they are not prepared to suffer the inconveniences only for one anna (stamp duty). Again banks are established at some considerable distance from the city, if they are established within the easy reach of public, the cheque habit would increase.

The cheque habit would no doubt increase if officials drawing more than Rs. 100 are paid by cheque; but even then it would not be as it should be. If the above mentioned inconveniences are removed, the cheque habit would soon increase. The bankers, etc., who open their accounts with the bank should get some interest on a certain minimum amount at their credit. At present the bank does not open account of those who are unable to allow a certain minimum amount at their credit in the bank. The bank should charge some amount for stationery, etc., to such persons and open their accounts.

Vernacular script should be introduced in banking as those who do not know English would also be encouraged to deal with the bank. Even now those who know Hindi (only) have also dealings with the bank, but only those who are required to do so.

QUESTION 5.—The banking and investment habit in India is indeed growing very slowly. And the reason is that the banks, etc., do not afford much facilities. This habit was, however, growing by the establishment of the branch of the Imperial Bank, but even that has been checked owing to its changing policy.

There is a rule in the Imperial Bank (and which is not in any other bank) that if there is an account of an Indian lady and if she does not know English, she is required to sign a cheque before a Magistrate even though her specimen signature is with the bank. Such useless rules do not encourage persons to have dealings with the bank. Again if an Indian family opens an account with the bank for some business they all are required to give their signatures on many forms.

The Imperial Bank has immense amount of Government deposits with it and officers of the bank are therefore careless about opening of account with it. Again its dealings with the public are also very discouraging. It was presumed that by the establishment of the branches of the Imperial Bank trade and industries of the country would develop, but the result has been just the contrary. When a branch of this bank is opened the dealings of its officials are always cordial, but once the bank has established itself, it begins to change its policy. The bank has deceived the indigenous bankers.

Formerly, the bank allowed the credit of lakhs of rupees to bankers, merchants, etc., but now it has made such rules that the applicant should always apply, and if his application is accepted, he should always be afraid as to when he would be required to pay the whole amount. Formerly, one who wanted to open a cash-credit account, he only gave a pronote, afterwards he was required to give the surety of some other banker and now the application is sent to the head office, and if it approves, the account is opened, but even then one is not allowed the credit for more than three or four days. It is thus that the bank has drawn all the capital of the city towards it which was formerly deposited with the indigenous bankers and the bank has invested that capital elsewhere. Formerly, the capital of this place was utilized here.

The bank has therefore dealt a very heavy blow to the commerce of this place.

Oral Evidence.

Jubbulpore, the 19th March 1930.

Chairman: The members of the committee have been supplied with the copies of your written statement of evidence which you wish to tender. Do you wish to add any further statement before we ask you questions?—No.

Do you belong to the Merchants' Association?—Yes.

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Could you explain as to what sort of Association it is?—It is a body consisting of merchants to help their business.

How long has it been in existence?—For about two years.

Is it anything like a Chamber of Commerce?—It is run on a similar line, but on a small scale.

You make certain complaints in your written statement about the Imperial Bank of India as regards the large amount of Government money that you think is lying idle with them. Are you quite sure of this fact?—As far as our knowledge goes, we believe in this fact.

Would you be surprised to know that the Government of India borrowed one crore of rupees on the 1st of January to pay the salaries of their servants?—Government might have borrowed, but that does not mean that Government has not got large sums of money lying idle with the Imperial Bank.

Are you aware that the Imperial Bank of India is required to keep cash in reserve in proportion to the currency notes issued by them?—Yes.

Does it not mean that those large sums that are held in reserve against currency notes cannot be utilized by the Imperial Bank itself?—Yes; but we believe that the Imperial Bank has got Government money over and above the amounts that are held in reserve.

Have you any idea of the extent of this amount?—No.

You also make complaints about the Imperial Bank not extending such facilities as would go to help the industries. Would you let us know the nature of the facilities that the Imperial Bank does not offer?—Our chief grievance against the Imperial Bank is that in the beginning they extended to us many facilities and as soon as they were able to capture business they began withdrawing those facilities. For instance, my friend, Mr. Motilal Bhura, was doing business with the Imperial Bank in advancing money to merchants. After two or three years when they knew the merchants, their solvency, etc., they began doing the business directly. The same case is with hundia.

Has there not been a shortage of money in the market for the last two years?—Yes.

What exact is the complaint which you wish us to present to the Central Committee on behalf of Jubbulpore with regard to the Imperial Bank?—They do not help industries or agriculture.

What business does the branch of the Imperial Bank do in Jubbulpore?—By taking money on deposits and they also do the business of discounting bills.

Do you mean to say that the methods of business of the Imperial Bank are not such as would at present be of great use to the general public?—Yes.

Do you admit that to that extent the Imperial Bank has given scope to other banks for carrying on business?—No. The Imperial Bank being the proper bank of India, they ought to help other banks. Other banks have to be more careful than the Imperial Bank.

Would you admit that as the Imperial Bank, is the apex bank, it must be most careful in its business because if its credit was shaken, there would be chaos in the money market?—Yes.

Do you know that the Bank of England does not undertake all this business?—But the Imperial Bank does not stand par with the Bank of England.

Do you know that the contention of the Imperial Bank is that they do not wish to impede the business of other banks?—They do not interfere at the same time they do not give any scope to other banks. For instance, a comparison of the business done by Allahabad Bank with the business done by the Imperial Bank would show that the Imperial Bank gets more business because of its high credit.

What business do they do?—They take money on deposits, collect bills, i.e., discount hundia and advance money on promissory notes.

What would you like them to do?—Mr. Motilal Bhura. I may illustrate it from my own case. I had an account here and as well as in Bombay. In the beginning I could remit money to my Bombay account from Jubbulpore without any charge. They have withdrawn this facility now. They used to charge much

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less discount on hundis and other bills. But now they have increased their rate. Formerly the rate was 3 pice but now they charge 1 anna, 1 anna 6 pies and 2 annas. The third facility is about cash credit. They used to lay down a limit for us for giving us cash credit. But now they have stopped it entirely.

Professor A. C. Sen Gupta: Can you tell us why there have been so many Imperial Bank gives so many facilities that the hundi business has gone out of their hands. In face of this criticism, how can you say that they do not give any facilities? This was a complaint a few months before. But the result of the withdrawal of facilities will now be the reverse. Now, the indigenous bankers are getting business in the market.

Chairman: I dare say you realize that in the course of time the ordinary development of banking in India would be the establishment of apex bank, whether it be the Imperial Bank or any other bank, which would only finance other banks. Do you agree that the apex bank in any country should keep out of competition with other bank and that if this is not giving too many facilities to the general public, perhaps that is a good thing?—Yes.

You make a complaint that the Imperial Bank does not finance agriculture. Are you aware of the fact that under the act of constitution laid down by the Imperial Bank Act, they are forbidden from advancing money on security of land?—Yes.

Are you also aware that they are forbidden from advancing money for a longer term than six months?—Yes.

Are you aware that in other countries the commercial banks do not do this business, and that there are land mortgage banks for financing agriculture?—Yes.

Do you favour the creation of the land mortgage banks?—Yes.

If capital is raised on debentures with a Government guarantee at a reasonable rate of interest, say, 5½ per cent or 6 per cent, do you think people would invest money in it?—Yes.

It has been suggested to us that some of the bonds issued should be premium bonds. The rate of interest on such bonds is low, but a lottery is drawn each year and prizes given on the bonds drawn in the lottery. Which of the two, i.e., debentures or premium bonds, would be more popular?—I think debentures would be more popular.

In your written statement you say that about Rs. 20 to Rs. 25 lakhs are required for annual short-term loan. Is this statement based on any enquiry or is it only a guess?—The estimate of the amount required for short-term annual loans is based on my own personal experience and also on the experience of other sowkars in the banking business.

Do you do money-lending business?—Yes.

What is the extent of your business?—From Rs. 4 to Rs. 5 lakhs.

Do you do all this business with agriculturists?—Not the whole business; but much of my business is with agriculturists.

What kind of money-lending do you do with the agriculturists?—I advance money on pledge and mortgage.

What is the period for which you lend money?—The maximum time is about one year.

What do you do if the money is not repaid at the end of the year?—I file suits.

Do you not even allow the debt to run on?—I wait for three years in the case of pledge and up to 12 years in the case of mortgage debt at times. But I recover the money after one year generally.

Do you charge penal rate of interest for defaulters?—Yes. In the case of pledge debts there is no penal interest, but in the case of advances on security of land or mortgages there is a stipulation for penal interest.

What is the ordinary rate of interest?—The rate of interest for debts on pledges is from 12 annas to Re. 1-8-0 and for debts on mortgages from 12 annas to Rs. 2.

What is the penal rate of interest that you charge?—I charge 12 annas or Re. 1 more.

During the last two years did you find any difficulty in making recoveries as a result of crop failure?—Yes.

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Do you find any difficulties in getting decrees from the court?—Not for getting decrees, but afterwards in the execution we find many difficulties.

What difficulties have you had with regard to recovery of money?—The process-servers do not do their duty honestly.

Have you had many cases of insolvency?—Yes.

Are you in favour of the grant of rights of transfer to the tenants?—Yes.

Why?—They will get loans at cheaper rates of interest.

Do you think the rate of interest would go down?—Yes.

Do you think that they might lose their land if the right is given to them?—They might. If they do not repay it is their fault. But they will get loans at cheaper rates of interest.

You have stated in the memorandum that there are many facilities which are allowed to foreign merchants but not to Indian merchants. Would you explain that, please?—The facility is that they have got ample funds at their command and can therefore afford to wait for the prices being favourable to them. They can purchase when the rate is cheaper. They are financed by the exchange banks and so have got a very large fund at their command.

Do they get any privileges from Government?—No. I do not mean to imply that Government gives them any special facilities.

Do the banks give them any special facilities?—I do not know.

You have stated in the memorandum that the indigenous bankers do not give much credit to industrial concerns. If that is so, why should the exchange banks give them credit facilities?—*Dr. D'Silva*: It is because the indigenous banker knows more about them than the exchange banks. The Allahabad Bank may give a certain person a certain amount of credit on his property, but the indigenous bankers will not give him, because they know his financial circumstances better.

Chairman: I will suggest to you that the whole question is one of confidence?—Yes.

You have said that farmers, where irrigation is available, are really very poor and contract the habit of wine drinking. Could you tell us why irrigation should make farmers drink wine?—By wine, we mean country liquor. There is no connection between irrigation and drinking. But it is quite true.

Would you be surprised to know that the principal excise revenue from liquor come from the Satpura Plateau and from Berar, where there is no irrigation?—We do not know that this is the case.

Rao Bahadur K. V. Brahma, C.I.E.: You have described the methods of marketing in your written statement. I should like to know in greater detail what your ideas are to assist agriculturists in obtaining better marketing facilities?—We want marketing on co-operative basis. There must be some association to get the products from the producers and help them to obtain a better price. The middlemen must be done away with. This association may be of producers or of some other agency. We should primarily like the agriculturists to form into an association themselves.

What is the difficulty in the way of agriculturists forming into such associations at present?—It is only due to their ignorance. We should like Government and the people to interest themselves in this and educate agriculturists to form into an association and better their own condition. Such association should be started not only in towns, but in villages also.

Do you apprehend that there will be no suitable men to manage these associations?—There is no initiative in the agriculturists, and if knowledge is spread and proper efforts are made, proper men will be forthcoming.

Another difficulty as regards marketing which you have alluded to is the existence of kachha roads, and you want the village roads to be improved. Is it not a practice in this district for the district council to allocate certain funds for this purpose?—Yes. The district council ear-marks certain funds for the improvement of village roads: but this amount is too small. Government should give certain grants to the district council ear-marked for improving village roads.

Later on you have said that it is customary for agriculturists to obtain advance from merchants to the extent of 70 or 80 per cent at 12 annas per cent interest. Will you tell us what is the extent of trade in grain that takes place in Jubbul-pore itself?—It is about a crore of rupees.

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Is it customary for agriculturists to obtain advances against these goods or do they sell it outright without caring for advances?—They sometimes sell it and sometimes keep it and take advances. Selling at once goes to the extent of 14 annas to the rupee and holding back goes to 2 annas in the rupee.

Are there here recognized warehouses where these stocks are held?—No.

Would you like to have the licensed warehouse system brought into force here?—Yes.

Who markets the produce from Jubbulpore to Bombay and Calcutta? Are there local agents of foreign exporting port firms or are the local merchants doing it? How much of the trade is in the hands of foreigners and how much in the hands of the people of the district?—At present there is no foreign merchant in Jubbulpore. All the grain that comes into the market is bought by the local people and sent on to the port. We do not know why foreigners have closed their agencies here.

How do these big buyers in Jubbulpore obtain finance for these transactions?—They get advance from the Imperial Bank, after stocking their goods in the bonded warehouses of the bank. The Allahabad Bank previously gave advances on grain, but they have stopped it now.

Are there any difficulties that you want to complain of?—I would wish the Imperial Bank to extend its activities, so that even small traders may get advances having regard to their solvency.

How do the small traders obtain finance?—They go to the big merchants, to whom they pay interest from 12 annas to Re. 1 per cent and the big merchants have to pay to the Imperial Bank from 8 to 9 per cent, i.e., one per cent more than the ruling bank rate.

Are there any difficulties in the way of big buyers who obtain finance from Bombay and Calcutta from merchants to whom they send their goods?—There is no trouble.

Has your association ever heard of any difficulty arising out of bearer hundis?—There are no bearer hundis in this district and we have not conceived of any difficulty which these hundis are prone to.

You have made a complaint that the Imperial Bank was dealing, some two or three years before, through mukaddams and trying to establish themselves and that, having established themselves, they have now started dealing direct with the traders. Do you think that this is a complaint which the Merchants' Association should make, for after all the merchants would be benefited by this?—From the point of view of the Merchants' Association, we cannot find fault with the bank in this respect.

As regards the difficulties of money-lenders and others in realization of moneys through courts, you say that there is a good deal of delay in serving processes. Are you aware that there is a provision in the Civil Procedure Code that processes can be served through the post office?—We are not aware of this.

Would you like that all parties to a money suit should give their registered address to the court so that the processes later on could be sent by post?—Yes.

Do you welcome this change and would you help the Government and civil courts in seeing that this system succeeds?—Yes.

Is the duration of the suit unnecessarily long?—There is some delay which can be avoided. I had a case for about Ra. 70 in the Court of Small Causes at Jubbulpore and it took me six months to obtain a decree. The courts are unduly lenient in the matter of adjournments. Difficulties also crop up on account of the laws of succession, e.g., a Muhammadan-debtor comes forward and says that the property he has mortgaged has other sharers according to Muhammadan Law and a Hindu debtor says that his property is ancestral and that his sons have a share in it. Personally I am in favour of a common Law of Succession enacted and applicable both to Hindus and Muhammadans on modern lines.

Are there any difficulties in the execution of decrees?—It is not done as promptly as it should be.

What kind of mortgages are prevalent here? Are they simple mortgages or mortgages on condition of sale?—The simple mortgage is most common.

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Rao Bahadur K. V. Brahma C.I.E.: Do you think that the English Mortgage Law, if allowed in this country, would be useful for reducing the rate of interest?
—Yes.

You say that the Imperial Bank does not give any facilities in the matter of the sale of Government securities. What facilities would you want the bank to give in that respect?—I have no definite suggestions to make.

You suggest that changes should be made in the rules of the savings banks to attract more deposits. What changes do you propose?—The rate of interest should be increased by $\frac{1}{2}$ anna per cent more and also the depositors should be allowed to withdraw money at least twice.

Do you not think that if these facilities are allowed, Government would be blamed for competing with other bankers?—No.

Is your association registered?—Yes.

How many members are there in your association?—About 80 members.

Do you publish annual reviews of the trade situation?—Yes.

Professor A. C. Sen Gupta: You say that the usual practice of small cultivators is to sell their produce to big cultivators or *malguzars* who market the produce. Is it the usual custom or is it more usual for the petty dealers to go to villages and collect produce from small agriculturists?—Small agriculturists sell it and petty dealers do not go from place to place. There may be exceptions, but they are rare.

Have you any idea of the actual working of the co-operative movement in this district?—*Dr. D'Silva*: It is a failure.

You recommend co-operative selling. Do you think you would be justified in recommending co-operation in selling when the movement is a failure?—If the movement has failed it only means that it is not run on proper lines. If the selling could be run on proper lines, it is bound to be helpful.

But do you think it will be helpful at the present moment?—No; because the agriculturist cannot take advantage of the opportunities offered to him. He will have to be educated. His capacity for earning also will have to be increased.

You advocate co-operative selling. What do you think will be the effect if there is a mistake in such selling? Will not an agriculturist blame the co-operative selling if he finds that he suffered on account of their mistake?—There is the chance of making a mistake everywhere. The agriculturist himself is likely to commit mistake. This much risk will have to be accepted.

Do you think that this is a principle that should be advanced? Are the cultivators in a position to take advantage of it?—No, they are not in a position to take advantage of it at present.

You complain that a person is not allowed to have dealings with two banks. Would you admit that the reason might be that the bank fixes a credit limit for each person who deals with it and if he is allowed to have dealings with other banks the credit-limit will not be the same?—*Mr. Motilal Bhurs*: Yes. But the bank do not object to his dealing with indigenous bankers. His credit-limit is likely to be false if he goes on borrowing from indigenous bankers.

You advocate raising the rate of interest in postal savings banks. Will not the Government be blamed for taking away deposits from indigenous bankers?—It will be. But in savings banks persons deposit very little amounts and always draw and deposit. Moreover, it will be beneficial at places where there are no other banks.

Rao Bahadur M. G. Deshpande: Have you got any landed property in this district?—*Mr. Motilal Bhurs*: Not in this district; but I have got some land in the Nagpur district at Ramtek.

Have you any idea about the management of your land there?—No. I have not got any.

Have you any idea about taccavi advances made by Government? *Dr. D'Silva*: The Government advance is insufficient.

Do you propose that the percentage should be increased so as to enable the agriculturist to improve his property and at the same time to improve his income?—Yes.

Do you know the agency through which Government distributes taccavi?—It is the executive department.

Do you think this agency can do justice to the work?—No. I do not think so.

Do you want a special officer for distribution of taccavi?—No. A special officer means extra expenditure and I do not want that.

You have stated that occupancy tenants should be given rights of transfer. At the same time you said land will be lost by tenants. If the rights of transfer are given to occupancy tenants, do you not think that the occupancy tenants will lose their lands to sowkars just as the absolute-occupancy tenants and malguzars are presently losing?—*Mr. Motilal Bhura*: It may or may not turn out to be the case.

Are you in favour of allowing the occupancy tenants to mortgage their lands to the land mortgage bank or would you have any objection?—They should be allowed to mortgage their lands to the banks.

Seth Narsinghdas Daga: You have suggested in the memorandum that efforts should be made to raise the income of a farmer by methods in addition to the reduction of the rate of interest also. What other methods do you suggest?—I refer to weaving, carpentry and other subsidiary industries.

Is it your grievance that the merchants find it very difficult to get advances from the Imperial Bank, while the bank affords facilities to private gentlemen if they want loans?—Yes.

Do you think that foreign companies are favourably treated in the matter of railway freight etc., than the local merchants? Is it one of your grievances—Yes. Foreign companies do get concessions by way of railway freight, getting wagons in time, etc. Another complaint is that their drafts are discounted at a lower rate than ours. One other complaint is that at Jubbulpore 15 or 20 approved merchants only get octroi refunds on the production of railway receipts, but other merchants are put to a great inconvenience for want of this facility.

You have calculated the percentage of interest, excluding legal charges, etc., to be 12 annas that is received by sowkars. If these charges were to be taken into account, what do you think would be the percentage?—I cannot say. I have never calculated.

Mr. P. D. Pundlik: It has been suggested to us that adatyas and brokers deal fraudulently with the cultivators. Are you also of the opinion that they deal fraudulently or do you think that as a class they are honest?—As a class they are honest and helpful though there may be rare exceptions.

Chairman: Thank you.

**RAJ SAHIB B. L. DUBE, L.Ag., Deputy Director of Agriculture,
Northern Circle, Jubbulpore.**

Reply to the Questionnaire.

QUESTION 1.—(a) For expenses during cultivation the agriculturist is financed by his own savings, if any, by local money-lenders and to some extent by co-operative banks and Government.

(b) For capital and permanent improvements the agriculturists is financed by his own savings, if any, by local money-lenders, and sometimes by Government. Permanent improvement effected by substantial cultivators are financed generally by Government but an ordinary cultivator seldom thinks of making such improvement as generally he has not got the necessary resources at his command. In fact he would not go for improvements by taking loan from sowkars at exorbitant rate of interest.

(c) When the agriculturist requires any money for any special needs he obtains finance generally from local sowkars and in case of failure of monsoon he looks to Government for help.

The rates of interest vary according to the credit of the agriculturist and his capacity to pay them. Cultivators having good credit may be able to negotiate loans at about 12 per cent interest per annum, but poorer people will have to pay 24 to 36 per cent interest. A substantial cultivator in northern districts may be able to negotiate loans at 12 per cent, but in Berar he may have to pay a higher rate.

Cultivators get petty loans only for short periods of three or four months and repayable at harvest time. These contracts used to be verbal, but of late documentary system has been introduced for them also. For larger amounts the loans are generally for periods of one to three years. Many a time it happens that once a loan is taken it is reinforced by interest charges and lasts for the life-time of the cultivator.

The nature of security is generally personal and moveable assets except where the land belonging to the borrower happens to be transferable. The sowkar at the time of advancing the loan has his own plans for recovery of money. He seldom depends on the honesty of the borrower, but counts for security on moveable and immoveable property and annual crop assets. In registered mortgages the condition of foreclosure is generally put in the instrument.

When agricultural credit is largely distributed by failure of crops Government comes in to relieve the situation as is evidenced by crop failures during the last two rabi seasons. Under normal conditions the part played by Government in financing agriculture by taccavi loans under Agriculturists' Loans Act or Land Improvement Loans Act is negligible.

The Imperial Bank of India and other joint stock banks do not play any part in financing agriculture as such. They serve merchants and dealers by financing them to buy the produce of land in harvest season of different crops. Some companies trading in fertilizers and agricultural implements are known to give some credit to agricultural associations, but so far the use of fertilizers and the use of improved implements except in Berar is not considerable and awaits further developments. The work of co-operative banks in financing agriculture is too well known and need not be detailed. It has so far, however, been only very limited and needs large developments and organization. To take advantage of co-operative banks people stand in need of education in general and in regard to the benefits of co-operation.

Taking 100 as the total amount required annually by agriculturists, 65 can be put for expenses during cultivation, 20 for capital and improvements and 15 for other needs and ceremonial purposes. These figures do not include any feeding charges which in normal seasons will be met with from the produce of his land. To what extent the agriculturist can meet his money requirements from his own savings varies from tract to tract. Roughly the figures may be put at 50 per cent for the country as a whole and 50 per cent might be raised from borrowing from any available sources.

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An estimate of the grain advances is as below:—

			Maunds.
Jubbulpore	250,000
Damoh	220,000
Mandla	...	...	150,000

Grain advances are given in the month of October and are recoverable at harvest time in May at the rate of 25 to 50 per cent *barhi* as interest. This is applicable to rabi seeds.

When cultivators take kharif seeds like paddy on loan the *barhi* rate is 50 to 100 per cent. The *barhi* system is more common for rabi than for kharif seeds as the latter are in many cases preserved by cultivators.

From the sowkar's point of view the present system of financing agriculture does not seem to have any defects. If the interests of agriculture are considered, the system stands condemned. It does not allow any progress of agriculture and is sapping the life blood of the rural country. The profits in agriculture are not high and are often very meagre on account of unsatisfactory crops due to vagaries of the monsoon. Agriculture cannot therefore bear the high rates of interest. The main reason for the existence of the defects and their continuance is illiterate and backward peasantry which cannot gauge its own interest and allows parasitism to live on it. Even those who are in a position to understand cannot do better, because no other credit facilities exist for adequate and sound financing of agriculture.

It is desirable that cultivators should not speculate in rates of their produce and should sell it within reasonable time after harvest. Very often at this time he is harassed by several demands and is thus forced to sell the produce without any regard and consideration to the prevailing market rates. The cumulative effect of forced sales must be weakening of market rates by which agriculturists are generally at a disadvantage. The bulk of the agricultural produce is thus sold within a comparatively limited period of time to the advantage of traders. Besides the forced sales put pressure on money market and tend to increase bank rate of interest. If it be possible to extend the market season (*hungams*) cultivators who can hold their produce may gain, because under existing conditions they are also obliged to sell their produce along with others, as after the *hungam* is over merchants do not remain in markets and the products is often offered at lesser rates by local traders.

The remedies will lie in the methods of financing agriculture in a better way, keeping the interests of agriculturists in view.

Barring the co-ordination between the Government and co-operative banks, that among the various credit agencies does not seem possible under existing conditions at least in the interest of agriculture. Co-ordination, as for instance, between the Imperial Bank and village money-lender should result in further swindling—rather strong word to use—through the latter. It is not desirable in the interest of agriculturists that Government should invest its funds with banking agencies of any kind. They will always charge higher rate of interest from agriculturists and will look on Government for protection. The state may better have its own institutions.

In closing this note it may be suggested that the condition of agricultural finance is deplorable and the remedies will have to be drastic. People must be made to work on the principle of self-help which, if necessary, may even be enforced by suitable legislation to exercise thrift, to learn more of co-operation and to look to Government taccavi loans with better confidence.

QUESTION 2.—The principal crops are sold in open market through adatyas (brokers) either by cultivators themselves or by middlemen who buy the produce in villages. In large markets the produce is put in heaps which are auctioned for rates to be fixed on the particular lot. The arrangement of putting the produce to bids is very satisfactory, but there are several under-hand dealings which should mean considerable sums to cultivators. Unfair weighments and charges for various funds are examples of unfair practices. Very often payments are delayed and this causes to agriculturists considerable inconvenience. Many cultivators would, therefore, prefer to sell their produce to middlemen in their own villages where the farmers are masters of the situation. In markets they are at the mercy of brokers who in many cases do not serve

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their clients as fairly as they should. Strong market committees with fair representation of agriculturists and strict rules guiding the actions of adatyas may improve the present markets to some extent. Real improvement must, however, await the education and proper organization of agriculturists themselves.

Formation of pools and co-operative sales of produce should benefit agriculturists in a large measure. Possibility of these innovations must depend upon the efforts made for village organization and upon the extent of this development. Government will have to take a leading part in this work. If things are left to agriculturists, the possibilities of developing co-operation should remain very remote.

There are at present no facilities for the financing of products during marketing. Adatyas make their own arrangements to secure enough money to finance one or two days' transactions done through them. Adatyas financing is generally poor and when substantial firms like Rallis, Volkarts, etc., are not in the market for a particular produce, its rates generally sag down for the reason that the local financing is not adequate enough. Some arrangements are necessary to secure at least in important markets the financing by commercial banks. Before they can play any part in this direction, it will be necessary to provide strong facilities in the form of suitable godowns at each market place. The godowns will help in the organization of agriculturists' pools and of co-operative sale of produce. The co-operative central banks if they have any surplus funds at their disposal will also begin to take interest in financing their societies for proper disposal of their produce. It should be possible to raise money for the construction of godowns by some cess primarily for fostering co-operative sale and agriculturists' pools. To develop co-operative sale of produce it will have to be graded and should be uniform. This development will come in after some education of the changed market conditions and by actual demonstration of better rates. To draw the capital for financing the produce it may be necessary to provide sufficient security and to give reasonably attractive rates of interest.

QUESTION 3.—Rice land sells at Rs. 20 to Rs. 30 an acre and wheat land Rs. 50 to Rs. 100 an acre.

The factors which affect the value are—

- (1) Nearness to village.
- (2) Distance of the market.
- (3) Financial condition of the country.
- (4) Pressure of population.
- (5) Absence of other occupations.

Value of land in purchase by private negotiation is most favourable to the seller, sale by court decree is often not favourable, but it is better than Government auction. Forced sales are generally unfavourable to the seller.

QUESTION 4.—Occupancy holding cannot be mortgaged in Central Provinces. It is a definite impediment against agricultural credit of the province. The country stands in need of better credit and things have to be so adjusted that tenantry should have better credit side by side with sufficient protection, so that their holdings, except in hopelessly bad cases, should remain with them. There are no land mortgage banks, agricultural banks or other banks which provide for long-term credit to agriculture.

For improving the condition of agriculturists through agricultural improvements, sound and adequate financing is urgent and necessary. Banks worked with this object in view should be welcome. The immediate objects are likely to be—

- (i) To provide agriculture with cheaper finance for annual crop production.
- (ii) To provide agriculturists with cheaper and adequate finance for capital expenditure towards bullocks, implements and machines and land improvements.
- (iii) To free agriculturists from existing heavy debts carrying exorbitant rate of interest.

Considering that any banks will guard their own interests and that the agriculturists are backward and do not exercise any foresight, it is very desirable that loans for capital expenditure should be advanced by the state under the Land Improvement Loans Act. The co-operative and land mortgage banks

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existing and to be started hereafter should finance the remaining expenditure of agriculturists for the year and the redemption of existing mortgages respectively. Under existing conditions it will not be advisable to entrust fresh mortgages for long-term loans to banks, because the former for some reason or other may not be able to pay bank's instalments and thus the debts by accumulation of interest may be augmented to such an extent as to make repayments beyond means of agriculturists. The banks may not insist on regular payments as long as their loans are secured. The consequence may thus be that holdings which are at present unencumbered may also get as badly involved in debts as others. It may as well be imagined that when the credit of country side is very poor, the banks may not find agriculturists, to buy at proper value the land which may either pass to non-agricultural classes or remain with the bank which will not be wholesome and which is not the object in view.

For giving relief to agriculturists from the burden of existing debts some measures are necessary. In this connection Chapter XII—The finance of Agriculture of the report of the Royal Agricultural Commission may form a very useful reference.

For want of suitable employment and extinction of other occupations in the Central Provinces all classes have taken up to agriculture and it is difficult now to distinguish the line of agricultural and non-agricultural classes. Agricultural castes are generally more efficient in agriculture, but others who have taken agriculture as their profession are also quite fit for it. For purposes of any general application of any Land Alienation Act like that of the Punjab, the history of cultivators may be considered and those who have been at agriculture for a definite period of years can be given the benefit of such Act as may protect agriculturists.

Perhaps the body of non-official evidence will press for the state financing in a large measure the mortgage banks which will be under private management and the position will be about the same as it was before the Land Improvement Act of 1883 and the Agriculturists' Loans Act of 1884. For some reason or other these Acts have not worked as they were desired to do as the loans under them have not been very popular and have not been utilized to the desired extent except during the last two years on account of agricultural distress.

A note suggesting some modifications in Land Improvement Loans Act is attached as Appendix A. The state having taken upon itself the financing of capital expenditure for land improvement, the contemplated land mortgage banks can be relieved of this responsibility and should better manage the schemes of old debts redemption.

QUESTION 5.—A considerable number of people who are efficient farmers have been or are being turned into tenants-at-will through the process of the enforcement of the old debts and landed property passing on into the hands of creditors. By this process the actual cultivator naturally loses the incentive to produce more and in an efficient and better manner.

Irrigated tracts in these districts are in the famine zone and are of recent growth. There are yet no signs of their material condition having improved considerably over that of the general famine zone. Cultivators out of the famine zone are more forward, but their debts are not in any way less. If their debts are calculated for an acre or per male head (adult) the proportion will be more than that of the famine zone. It is because cultivators of famine zone, which has lighter and poorer soils, have poorer credit and less wants by way of better living and are more backward.

QUESTION 6.—Properly planned agricultural improvements should solve the question of unemployment in rural areas to the extent of about 50 per cent. It is only in continuous wet weather that a farmer may not find employment and this time he can utilize in rope-making, spinning and weaving.

Oil pressing through small plants working in villages should be beneficial in more than one way. They will provide some work, will deal with the village produce of oil seeds in a way more profitable to farmers and will produce oil-cakes which under existing conditions are brutally not available to local cattle of these districts.

Pumping outfits, where conditions are favourable, are useful and profitable enterprises to give employment to the owner and a part of village population,

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because growing of irrigated crops will amount to more labour being employed, By this means the farmer's income can be considerably supplemented and in course of time his standard of living must improve.

Bone disintegrators to crush bones for manurial purposes should in course of time prove of considerable benefit to the country. For running them successfully export of bones will have to be stopped.

Where cane is grown in large areas sugarcane crushers worked with engines should prove useful. There the possibilities of sugar making can also be investigated.

They all require credit facilities which exist in the form of Government loans which are advanced for the purpose. At this stage this facility is ample. Working capital for running the smaller plants will not be large and it should be possible to arrange for it either through the Government or co-operative institutions like co-operative sale societies or co-operative adats shops in contemplation.

As long as the number of small oil-crushing plants is not large, it should be possible to sell their produce (oil) locally. But when their number is increased the sale of surplus oil will have to be organized and this will have to be done through co-operation, in which the Co-operative and Industries Department should take a leading part. It does not fit well that the most important oil mills of the province are situated in cotton-producing districts which are overstocked with cotton seed, a useful concentrated food for cattle, and that all oil-cakes produced by these mills are exported to foreign countries. By working the small oil-crushing plants in these districts it is likely that the cake will be retained for use of local cattle. Some limitations will have to be put on export of oil cakes and some encouragement to the import of oil seeds may prove beneficial to the country.

Men to work machines like oil-crushers, pumps, oil engines, sugarcane mills, etc., will have to be trained. In fact before a man enters on these enterprises it will have to be seen if he can run them successfully.

QUESTION 7.—The Usurious Loans Act is not availed of in the province. The existence of such Act is not known generally to those who can be benefitted by it. The Agricultural Commission has discussed the working of this Act in paragraph 365 of their report.

The enactment of legislation such as the English Money-lenders' Act or the proposed Money-lenders' Bill for the Punjab should prove beneficial. In the definition of money-lenders it will have to be made clear that people dealing with definite sums, say, within a year, will come within its scope. Smaller people dealing with small sums among themselves at times of mutual needs should not be penalised by the working of these Acts.

II.—Indigenous Banking.

QUESTION 1.—Indigenous banking is mainly in the field at present for financing agriculture, petty trades and industries.

QUESTION 2.—Local sowkars meet all sorts of needs of agriculturists by advancing money for various agricultural operations, supply of seeds, ceremonies and other unforeseen expenses.

Petty traders who are middlemen of the first stage also often draw money from sowkars.

Local sowkars are interested only in securing their own profits and do not give any consideration whatsoever for the improvement of agriculture and for the development of trade and local industries.

QUESTION 3.—(e) Generally, bankers of urban areas take advantage of the facilities of Imperial and other banks, but bankers of rural areas often depend on their own capital. The latter may sometimes draw money from urban bankers. When borrowing is necessary for indigenous bankers it is done with low rate of interest and advanced to the public at exorbitant rates. This therefore amounts to increased facilities for increasing indebtedness through high rates of interest and deserves to be discouraged.

QUESTION 5.—It is not a common custom among indigenous bankers to insist that advances should be repaid in commodities. It is done only when definite contracts are made to that effect.

Adāfyās (brokers) who generally advance money to their clients insist that the agricultural produce should be sold through the former. It is very common custom.

Indigenous banks receive deposits on which interest at the rate of 5 or 6 per cent is allowed. They also issue hundis repayable after about two months. Interest on hundis varies from 6 to 12 per cent according to money market and credit of the banker.

QUESTION 6.—Agriculturists have to pay 12 to 36 per cent interest on cash loans, if they have any credit or security. On seed loans 25 to 50 per cent *barhi* is charged for a period of about 8 months.

When credit is poor agriculturists have to pay as high as 100 per cent per annum.

Better organization of agriculturists and local banking system should certainly help in reducing the rates of interest. Lot of education and propaganda will have to be done to achieve this object. Various suggestions to foster co-operation and to develop other schemes are already on record and some will be forthcoming in the course of evidence before this committee. They need not be therefore repeated here.

Two things may be definitely suggested in this note—

(i) In normal seasons cultivators should be made to deposit in common village stock small quantities of grain at the rate of so much per acre. Annual contribution of one seer per acre will be very paltry and should not be grudged by cultivators at harvest time. In course of some years, if all goes well, the village will be self-contained both for its seed and cash requirements. The difficulty in this scheme is of good administration of the village stock as long as people will not have learnt the great value of this thrift and the value of co-operation and self-help which is induced through this kind of work. To start with the scheme should be worked and supervised by state agency. A selected revenue inspector's circle or a tahsil may be taken in the beginning to work the scheme and after experience of three or four years it may be extended to other places. The scheme will require much perseverance, a settled and continued policy, a labour of love and zeal for bettering the lot of agriculturists and all support of Government, if necessary, through some form of legislation. If these be forthcoming, which should not be difficult to arrange for the scheme is full of great possibilities and should do immense good within comparatively short period of time.

(ii) The working and expansion of *barhi* seed scheme sanctioned by the Government about four years before is another measure which should, in course of time, help to reduce the *barhi* rates of interest on seed loans in kind. Under this scheme the Government advances seed loans in kind to a group of cultivators who organize themselves in a body known as "Seed Union". The *barhi* interest recovered in kind by Government is 10 per cent of the principal and is payable in ten instalments. The union advances the seed to individual members at 20 per cent *barhi*. Thus there is saving of 10 per cent of the principal from year to year and within ten years the union should have for its use much more quantity of seed than what it originally borrowed from the Government after repaying all Government dues. In order that the scheme should have some permanency and that the energies of the Agricultural Department spent every year in organizing and supervising these unions may not be wasted, some rules have been laid down by the department. Under these rules every member of the union taking seed loan fulfils the conditions for membership of the Tahsil Agricultural Association and automatically becomes its member. The Tahsil Association is entrusted with the ownership of savings of seed effected through the working of *barhi* scheme and the union members are to enjoy the benefits which may accrue by the stock of seed held by them. The rules do not provide ownership of the seed by unions, because at the present stage their members cannot be trusted to run their seed stores continuously. The union members may divide the savings among themselves as soon as they amount to a substantial sum and thus cause large waste of energies spent on organizing the co-operative capital during a series of years. The members collect and stock the seed in a common

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banda at harvest and distribute it among themselves at sowing time and thus they get used to a kind of co-operation. None of the Tahsil Agricultural Associations which work the scheme is yet registered under the Co-operative Societies Act. Some applications are pending before the Registrar. In order to give some legal aspect to the rules framed by the Agricultural Department for working out the schemes to the benefit of agriculturists, it seems necessary that all Tahsil Agricultural Associations working this scheme should be registered as soon as possible.

The reduction in the rates of interest should amount to increased saving which as a matter of course should result in better standard of living of agriculturists in course of time. The agriculturist, who is at present burdened with despondency and is therefore not quite efficient, must get substantial relief by rates of interest having been reduced and should be more enthusiastic for his work and outlook of life.

QUESTION 7.—There is a growing prejudice against the indigenous bankers who are well protected by law.

Regarding extension of any legal or other facility to indigenous bankers, the general opinion will be that their facilities should be restricted rather than extended as long as the present condition exist so.

The dealings of indigenous bankers as a class with their clientele are not popular and do not seem to be conducted on sound lines as far as the interests of clientele go.

Their main defect is that they work solely for their own interest and do not give any attention whatsoever to the interest of their clientele. If a client happens to possess any property which is worth coveting, the objective of the banker will be to secure it by hook or crook. The suggestion to remedy this state of affairs would be drastic and would amount to create such conditions under which it will be impossible for the banker to carry on his business as he does at present. The honourable exceptions in the class will continue to prosper in spite of any reasonable rigidity.

QUESTION 8.—The class of indigenous bankers will be more serviceable to the community when they find that their profession cannot be carried on under usurious conditions and that side by side with their own interests, those of agriculturists also deserve much consideration.

The attitude of indigenous banking community towards introduction of any measures for regulating their operations and for giving publicity to some would be hostile till things settle down to work according to new lines.

QUESTION 9.—The bankers are surely to make much of the circumstances mentioned in the question, but the fact remains that this class on the whole has prospered and their clientele has deteriorated.

QUESTION 10.—Demands for loan of money are refused generally on account of the unacceptable nature of the security. It is seldom in normal seasons that insufficiency of their working capital may come in their way.

III.—Investment habit and attraction of capital.

The banking and investment habit in India is of very slow growth.

The causes are—

- (i) Want of mutual confidence.
- (ii) Failure of several banks and companies which caused considerable losses to investors and to those dealing with banks.
- (iii) The general public has not much to invest.
- (iv) Those who have something to invest can utilize to better advantage by advancing to agriculturists.
- (v) The investors belong mostly to urban areas.

Propaganda by Government in regard to Government loans for capital expenditure will be useful in course of time.

The result of the opening of new branches of the Imperial Bank has so far not been of any benefit to agriculturists of these districts. At least the benefits to agriculture are not visible in any way.

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APPENDIX A.

Copy of note for providing long-term debts to cultivators for effecting lasting improvements of their lands.

It is needless to say here that Indian agriculture cannot prosper unless a substantial capital is invested in the industry for effecting lasting improvements to bring in an increased return. The chief items of improvement which are absolutely necessary to be effected may briefly be summarized below:—

- (1) Ploughing of fallow or cultivated lands.
- (2) Removing obnoxious weeds such as kans, kundha, etc., which retard the satisfactory growth of the crops grown thereon.
- (3) Levelling of bunding.
- (4) Introduction of improved machinery.
- (5) Providing facilities for manure and irrigation.
- (6) Introduction of better cattle.

It is not the intention of this note to dwell in details on each and every item given above or what amount of improvements can be effected in each case. These items are outlined above only with the object to show that a good deal of investment is necessary on all these works and it is only because of the absence of the capital that these improvements cannot be effected by the cultivator. We have therefore to consider in this note the possible ways in which money can be placed at the disposal of the farmer at a reasonable rate of interest which he will be able to easily pay out of the increased income which he will derive from the improvements for increasing the productive capacity of the soil.

As it is at present, the cultivator generally looks upon the following sources for raising the required capital:—

- (1) His own savings, if any.
- (2) Village sowkar.
- (3) Co-operative banks.
- (4) Taccavi loans.

An average cultivator in his present circumstances has no money of his own to invest on these improvements. Had it not been the fact the state of his industry would certainly not have become so backward as is seen today. In absence of his own money he naturally looks upon the remaining outside sources stated above to borrow the capital.

The village sowkar has no doubt played in the past a most important part in supplying money to the cultivator required by him for his industry, though not altogether with a purely benevolent object. He has his own interest in advancing the money to his borrower and as such has little or practically no consideration to see as to how far the borrower will be in a position to bear the burden of the interest out of the net profits derived from his cultivation. On the contrary, his interest is diametrically opposite to that of the borrower and as such this source ultimately proves disastrous to the farmer in the long run. On these accounts the farmer has never been able to raise his head in the past and will not also be able to do so in future if he is not directed to any other suitable source.

The co-operative societies and also the banks is the third source in existence. These organizations though proved of immense good in other countries do not seem to have as yet been sufficiently well understood by the ignorant and ordinary cultivator of this country. He is more or less afraid of seeking shelter in this direction, because he thinks that if he once goes in for this source, he will be thrown out by his sowkar who has helped him at the nick of time in the past, even though he has begun to understand the ill-effects he has to suffer from this source of borrowing.

The fourth existing source which is available to the farmer is the grant of taccavi loans. The rate of interest is cheaper here and if the Land Improvement Loans Act and the Agriculturists' Loans Act are liberally taken advantage of the real hardship which is at present experienced in procuring money for agricultural industry will soon vanish. Government has no doubt offered a very good facility in granting these loans to needy cultivators at a cheaper rate of interest and the rules made for the grant of these loans are no doubt liberal, but their application, especially as regards the repayment of these loans, will have to be looked into.

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The maximum period of repayment of the loans is fixed at 20 years which seems to be quite reasonable a period for any cultivator to repay the loan in easy instalments. It may, however, be stated that in general practice the number of instalments is not fixed generally to more than, say, five to seven. Again it may be stated that any agricultural improvement is not likely to return the increased profits as soon as it is effected and as such the instalments of repayments should be fixed only in proportion to the profits that may reasonably be realized so as not to cause any additional burden on the farmer. He should necessarily be facilitated to repay the loan out of the possible profits he would derive from the improvements in which the amount of the loan is invested. In many cases it has been seen that the money is recovered in only a few equal yearly instalments and also the recovery begins at times no sooner the improvement is hardly effected.

It is generally seen that any improvement effected in agricultural industry does not return the profits at least for the next three years and during the subsequent years also the profits go on increasing gradually. The system of fixing the instalments for repayment of the loans should therefore be also fixed in ratio which will prove proportionate to the growing income during later years. This means that the instalments should be very small for some years in the beginning and gradually larger in later years, of the total period fixed for the full repayment of the loan and the interest. To make it clear by an instance suppose that a loan is granted to a cultivator which can easily be repaid within 20 years from the increased profits due to the improvements. Instead of fixing 20 equal instalments of the capital plus the interest every year, it would, in my opinion, relieve the cultivator if the loan is required to be repaid by him as under:—

- (1) *Three years.*—Full interest only every year.
- (2) *For the next three years.*—Full interest on principal with repayment of the 4 per cent of the loan every year.
- (3) *For succeeding four years.*—Full interest on principal with repayment of 4.5 per cent of the principal every year.
- (4) *For the remaining period of ten years.*—Full interest on principal with repayment of 7 per cent of the principal every year.

If this system of repayment of the loan is adopted it will not be an undue heavy burden on the cultivator and he will be encouraged to take more and more advantage of this facility ultimately with the result that the productive capacity of his land will be increased by and by and he will be able to make himself better off in course of time.

As at present the loans for any purpose other than purchase of small power plant is granted by the Revenue Department entirely on their own judgment. This system seems to be somewhat defective inasmuch as the revenue authorities sanctioning these loans are not expected to have got a fair and correct estimate of the exact requirements for a particular improvement. It does not matter much for smaller improvements requiring a capital of, say Rs. 1,000 or below. But for larger improvements more detailed investigation seems necessary and it may be found desirable to consult the Agricultural Department for estimating the amount of loan required and the number, amount and period of instalments to be fixed before the loan is sanctioned.

Under conditions as proposed above it is very likely that a large demand for loans to be applied in agricultural improvements will spring up and increasing grants will have to be provided by the Government for each district. In course of time it may even be necessary to found and earmark loan funds permanently for each district.

Oral Evidence.

Chairman: A copy of the written memorandum that you wish to place before the members of the committee has been circulated to all the members, and before we proceed to ask you any other questions, is there any other statement which you should like to add to this?—No.

You are at present officiating Deputy Director of Agriculture, Northern Circle?—Yes. I have served in most parts of the province in the Agricultural Department except in Chhattisgarh.

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Rao Bahadur M. G. Deshpandé: You say that permanent improvements effected by substantial cultivators are financed by Government. Can you give us what proportion of advances for permanent improvement is made by Government?—I have no idea.

You say, when the agriculturist requires any money for any special needs, he obtains finance generally from local sowkars and in case of failure of monsoon he looks to Government for help. Does it mean that in case of failure of monsoon, the sowkars would not help them?—Sowkars would not help agriculturists to the required extent.

You have said that a substantial cultivator in northern districts may be able to negotiate loans at 12 per cent, but in Berar he may have to pay a higher rate. Do you know the general rate in Berar?—I think it is 18 per cent even on mortgages.

Do you know that occupancy holders in the Central Provinces have no transferable rights in land?—Yes.

In spite of this, the rate of interest in this tract is less. Could you explain this?—It is only those occupancy tenants with good credit that get loans at 12 per cent; others have to pay higher rates of interest.

Does your department give the poor agriculturists all facilities?—Yes.

It is also said by some witnesses that 60 per cent of land in this tract is full of kans and it is beyond human labour to eradicate them. Have you ever advised cultivators to remove the kann by using the tractors?—Yes. We can tackle about 1,000 acres a year, if the tackle goes on working satisfactorily.

Since you got the steam tackle in the Jubbulpore Division, how many acres have been brought under the steam tackle?—2,400 acres of land. About 33 per cent of this land belongs to poor cultivators.

Are you doing propaganda work about fertilizers?—Yes. For the present we recommend ammonium sulphate for sugarcane and, to some extent, for cotton, in the Hoshangabad, Chhindwara and Betul districts. We have got rice cultivation in Jubbulpore district and we recommend green manuring. In fact, green manuring is the thing which should be attended to for improvement in irrigated tracts.

Can you give the net profit per acre from cane cultivation when cane is manufactured into gur?—On the average, the net profit should amount to Rs. 70 per acre. The gross outturn in one acre would be about 20 maunds costing Rs. 6 or Rs. 7 per maund, and the expenses would be about Rs. 70 or Rs. 75 per acre.

You say that occupancy holdings cannot be mortgaged in the Central Provinces and you also say that it is a definite impediment to the agricultural credit in the province. You have said previously that cultivators with good credit are getting sufficient advances. Do you desire that, in such cases, rights of transfer should be given?—It is only substantial tenants that get sufficient advances. For the occupancy tenants as a body, I am in favour of rights of transfer being granted.

Chairman: You have given a description of seed unions. How many such unions have been started so far in the north of the province?—I cannot give the number off hand.

What is needed for their further extension?—We need more staff.

Is the seed union extended to the whole village or to selected tenants?—Only to selected tenants.

The ideal arrangement would be to have the same seed throughout the village, and this would be possible if tenants could be induced to join the seed unions. It has been stated before us that different kinds of wheat seeds are required for different kinds of soil; but in one village the same kind of seed would serve the purpose. What is your opinion on this?—There may be tenants holding different soils and requiring different kinds of seeds. Moreover, some parts of the village may be irrigated and others unirrigated, thereby necessitating the use of different kinds of seed.

You refer to oil presses. Are these mechanical presses with an engine?—Yes.

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Do the Agricultural Department provide these oil presses when required by cultivators?—No. I do not know, at present, where they are available, what their price is or what the profits from using them are.

Do you recommend pumps for lifting?—Yes. The average pump has got a lift of 50 feet. It will cost about Rs. 2,000. It will irrigate about 12 acres of garden cultivation. Where wheat cultivation is introduced, it will irrigate 6 acres of garden and 30 to 40 acres of wheat. People do not use these on a large scale. Education and a knowledge of the working of the engine is also required.

I understand that bone manure alone is of very little value, unless it is treated with some kind of chemical acids?—In the beginning, bone manure alone would not be profitable; but in course of time it should work profitably. It is better when mixed with sarjam hemp (green manuring).

Have you heard of ammophos?—Yes. Our department has just started experimenting with this manure.

Are you aware that the Agricultural Department in Orissa and Bihar have finished these experiments and have recommended this manure?—I do not know.

Are you of the opinion that we should concentrate on improved methods of agriculture rather than start weaving and other industries in rural areas?—Yes.

Professor A. C. Sen Gupta: You have given an estimate of grain advances in Jubbulpore, Damoh and Mandla. How did you arrive at these figures?—I have taken the total area under these crops and I have estimated that 50 per cent of the seed is drawn by advances. This estimate is based on my experience.

Can you give the reasons why the rate of barks is lower for the rabi seed than for the kharif seed?—The kharif seed is seldom taken by people and they are also not stored in large quantities.

You do not think that it would be advisable for cultivators to keep their crops and wait for a higher price?—The cultivator should not speculate; but he should get the best price within a reasonable time. My opinion is that he can get better price in bargaining with the village middleman than by bringing his produce to the town market. I meant that under existing conditions of town markets a cultivator can dictate his terms better in the village than in the town markets.

You say that a considerable number of people who are efficient farmers have been turned into tenants-at-will. Have you any statistics?—I have no statistics.

Chairman: Do you think there is very much difference between the wheat outturns of the districts of Narsinghpur, Jubbulpore, Saugor, and Damoh?—If we take the gross produce, the Government estimate is fairly correct.

What do you consider to be the ordinary outturn in the haveli of the Narsinghpur district?—It should be at least 600 lbs. per acre on the average. For Jubbulpore, it should be the same. I have no statistics with me here to prove whether the Government estimate of gross outturn for wheat in the Narsinghpur district is high or not.

Do you think there is much difference between the Jubbulpore haveli and the Narsinghpur haveli?—They are the same. The embanked fields of the Kural tahsil of Saugor are better and more productive than the Jubbulpore and Narsinghpur havelis. The embanked tracts of Damoh are also better. In years of good rainfall in Saugor and Damoh, they get a heavier outturn of wheat, but those tracts are more liable to be affected in years of bad rainfall; whereas the havelis of Jubbulpore and Narsinghpur are more secure and there are less variations in outturn from year to year.

What is considered to be a fair outturn in the Purna valley of Berar of cotton?—The average for a number of years may be 300 lbs. for good and bad crops. Outside the valley, it may be 250 lbs. The average outturn for jute would be 700 lbs. per acre for the whole of Berar. The cotton outturn in Wardha is the same as that in Nagpur and Berar. The cotton outturn in the Bushanpur tahsil of the Nimar district is as good as that in either Nagpur or Wardha.

Mr. P. D. Pawde: You have said that, in case of failure of monsoon, the cultivator looks to Government for help. Do you think that Government helps agriculturists according to their full needs?—Government may not advance according to their full needs, but they give agriculturists substantial help. I do not think that these advances are sufficient for their cultivation expenses.

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You say that the cultivator, at the time of marketing his produce, is harassed by several demands and is thus forced to sell the produce without any regard and consideration to prevailing market rates, and the cumulative effect of these sales must be weakening of market rates by which agriculturists are generally at a disadvantage. What do you mean by this?—When we have large quantities of grain, the market is glutted with crops and naturally cultivators do not get a good price for their produce as they have to sell them as quickly as possible. They will be at an advantage if the produce is sold over a longer period, when it is likely that they may gain.

You say that, to remedy the deplorable condition of agriculture at present, cultivators should be made to look to Government taccavi loans with better confidence. Are not they at present looking to taccavi advances with better confidence?—The cultivators are always afraid of taccavi loans.

You refer to unfair practices of the market in this tract. Have you not got regulated markets here?—The markets are not regulated as those in Berar. They are under the municipal committees, and I do not know if there are rules, or not. If there are rules, as you say there are, these malpractices should be stopped.

Do you know that the Weights and Measures Act has been passed recently by the local Council?—Yes.

Has it been applied to these parts?—I am not quite sure.

Are you in favour of granting transferable rights to occupancy tenants?—With some limitations, I favour the proposal.

You have recommended that protection by way of Land Alienation Act should be extended to agricultural castes and to such people who have been doing the profession of agriculture for at least eight or ten years. Do you not desire that anyone who practises agriculture, whether for a period of eight years or not, should be given the protection?—Looking to the interests of agriculturists, I do not favour the proposal.

Seth Narsinghdas Daga: You have stated that co-ordination between the Imperial Bank of India and the village money-lender will result in further tyranny. What do you mean by this?—I mean that if a village money-lender is able to get advances of money from the Imperial Bank, he will advance more money on loan on higher rate of interest and hence many more agriculturists will have to lose their land.

If Imperial Bank will advance money to money-lenders, the shortage of money in the market will be done away with and as a result of that the rate of interest will go down. Do you agree to this?—No. I do not think so.

Chairman: I understand that under the present conditions of agriculture when in one year crop fails and next year it may be good, it is necessary for the agriculturist to borrow money in order to carry on his operations in the bad years. Is it not?—Yes.

Do you admit that some money-lending facilities are necessary?—Yes.

Do you further admit that if the money-lenders stopped financing agriculture agriculturist would die of starvation in the bad years and therefore it should not be our policy to destroy the sowkars but to improve them?—Is it not?—Yes.

Do you think any man will borrow money at a high rate of interest if he is able to get it at a cheaper rate?—Certainly not.

Therefore if more money is thrown on the market and if more facilities are given for money-lending the rate of interest will come down? Is it not?—Yes.

Do you admit then that it is not necessary to impose restrictions upon money-lenders if you could put more money in the market?—Yes, if there is some competition.

It is alleged that at present the profit from cotton is lower than the profits from rice or wheat cultivation. Would not recommend the cultivators to grow some other crop on the lighter soil rather than cotton? Do you think that cotton on the lighter soils will not be profitable at the present price?—I would recommend the cultivators to grow groundnut. If the cultivators grow groundnut alternately with cotton, their outturn of cotton will also increase.

Chairman: Thank you.

RAI SAHIB B. L. DUBE.

**RAI SAHEB JAGANNATH PERSHAD, Extra-Assistant
Commissioner, Damoh.**

Reply to the Questionnaire.

QUESTION 1.—The agriculturist is financed in this district in the following way:—

(a) Generally by the malguzars and sowkars (professional money-lender) and to a small extent by co-operative bank.

(b) Mostly by Government under the Land Improvement Loans Act.

(c) In the case of the failure of monsoon Government is the principal source of help, for ceremonial and other purposes the loans are taken from malguzars and sowkars, but small loans in shape of cash and cloth or other articles of necessity, are taken from Panjabis, Kabulis and small local money-lenders as well as from well-to-do tenants.

(2) The rates of interest charged depends on various factors, but generally the following rates are prevalent:—

For secured debts Rs. 1 to 2 per cent mensem. For unsecured debts from 2 to 6½ per cent per mensem and in case of petty loans even 12½ per cent per mensem is charged.

For small loans, the period is from one week to one month; for loans of medium amounts the period is one year and for loans of big amounts three years' period is generally taken.

The security is generally of land. If it is of transferable kind, security of standing crops is also taken to a small extent. Security of houses and cattle is also taken, but very rarely. In almost all cases compound interest is always charged.

There is no Imperial Bank, joint stock banks and indigenous banks. In normal years Government help is very little. The help from co-operative banks is also very little, as out of about 1,400 villages in the whole district, there are only 80 societies out of which 18 are not working, and 22 are in liquidation.

For want of healthy societies the co-operative bank of this district had to make a fixed deposit of Rs. 53,000 to the Provincial Bank.

The approximate proportion in which the agriculturists get loan from various sources are as follows—

	Per cent.
From malguzars and well-to-do tenants	... 50
From professional banks and money-lenders	... 40
From co-operative bank	... 2
From Government	... 1
From petty money-lenders	... 7

4. No accurate estimate of the total amount of capital required for the various purposes can be given without an elaborate enquiry, but I may be able to give an idea for Damoh tahsil only at the time of my giving evidence as I hope by that time the enquiries into the general indebtedness will be finished.

5. The same reply stands for the estimate about the grain advances. For kharif crop 50 per cent of *Badi* is charged.

For rabi 50 per cent for the first year, and then 25 per cent. But during the last two or three years the *Badi* for rabi also has been raised to 50 per cent. Besides this the malguzars and money-lenders charge 5 per cent for the expenses of storing and preserving the seed grain.

6. The chief defect in the system is the ignorance and the illiteracy of the agriculturists. Whereas the money-lenders keep his account, the borrower has no account, and is solely at the mercy of the money-lender. In the majority of cases even receipts for the payments are not issued.

I would, therefore, for the present suggest that non-issue of receipts should be made penal, just as the non-issue of receipt for rents is penalized in the Tenancy Act.

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Indigenous Banking.

1. There are no indigenous banks in the rural area, but there are local money-lenders.

The rates of interest are generally the same as given in part 2 for reply to question (d).

The rates of interest cannot be brought down as the supply is less and the demand more. I doubt whether there can be any organization among the local money-lenders. As I have said before, the principal money-lenders are the malguzars and local sowkars. Malguzars are of two kinds—Residential and non-residential. Residential malguzars having home-farm have generally an eye upon the land of the tenants. Hence they charge less interest than the non-residential malguzars. He also pays more for the land he gets in lieu of his debt. Non-residential malguzars care for his interest only. If he takes the surrender of the land from any tenant, he has to lease it out to others and charges his nazrana. The nazrana amount greatly affects the value of the lands which the indebted tenant surrenders to the malguzar. The money-lender who does purely the money-lending business and has no interest in the village cares for the sale of the land and the crops in order to recover his money. Thus all these 3 different kinds of financiers have different point in view but the common object is the exploitation of the agriculturists.

Unless these money-lenders have sympathy towards the tenant, there can be no hope of any organization among them and so long as their attitude is not changed, no protection is necessary for them. Besides the indigenous money-lenders have not sufficient money to meet full demand of the agriculturist and so long this is the case, we cannot expect any reduction in the rate of interest charged.

General Remarks.

Apart from what I have written in the foregoing pages I may be permitted to give my views on the subject. The main idea of this enquiry seems to be the uplift of the agricultural classes, who may be appropriately called the masses of India. For this purpose it is very essential that in the first place attempts be made to increase the fertility of the soil. Without this any amount of help in decreasing the indebtedness will be of no use.

There were already Debt Conciliation Boards for this district before the year 1900 at the time of Rai Bahadur Anantlal, Extra-Assistant Commissioner, and though the debts were greatly reduced, but today the agriculturists are in no better position than they were in 1900 or before that. So long as the present system of money-lending goes on, there is no hope of the extrication of tenants from indebtedness. The prices of bullocks and seed grain have risen considerably. To this be added the evils of the social customs and the caste penalties which are ruining the agriculturists. For every death or marriage or for slight offences the poor agriculturists have to give caste dinners which drain off his income and make him indebted. But it will take a long time before these customs are eradicated. Till then they have to be helped with money at low rates of interest. Then again there is an unequal distribution of land.

Some have got more land which they cannot manage, while others have not sufficient land. The result is that those that have less land are compelled to take land from bigger tenants, but under the present law they cannot lease it for more than a year and the result is the deterioration of land.

At the same time I cannot recommend the absolute transferable right for an occupancy tenant so long as the present evils remain. I would therefore suggest that the occupancy tenant may be given the right to sub-lease his land for ten years. This will prevent the deterioration of land accompanied with the continuity of tenancy in the family. In order to enable the agriculturists to get money at low rate of interest there are only two methods (i) either they should be helped by co-operative banks or (ii) by Government. But the co-operative banks cannot be successful so long as they are not given the same powers of collection as are with the Government.

Moreover the co-operative banks cannot give individual relief or relief to persons less than 10 in number.

Raj Sahib Jaisankar Pantulu.

If this defect cannot be removed, then the Government should help the agriculturists. The question of money is a great obstacle no doubt, but the beginning should be made with one district or two. In course of time the amount will rise with the accumulation of interest and with a little more capital added every year, and other districts can be brought under protection.

It may be argued that if Government advances loan on a wider scale, the present revenue staff may not be able to supervise it, for this I will suggest that 7 per cent interest instead of 6 per cent be charged and the interest of 1 per cent may be utilized for maintaining the additional supervising staff. There should also be rigidity in collection.

Oral Evidence.

Jubbulpore, the 20th March 1930.

Chairman: You are the Sub-Divisional Officer of Damoh tahsil?—Yes, since April last. I was previously in Chhattisgarh. I received my title of honour when I was in Bilaspur.

You have been in charge of the enquiry which was carried out for the Provincial Banking Enquiry Committee in the Damoh tahsil and you were present with us at the intensive survey at Abhanna. Is it not?—Yes.

Professor A. C. Sen Gupta: Can you tell us why there have been so many failures of co-operative societies in the Damoh district?—The Damoh tenants are not solvent and loans were issued indiscriminately. I found that a man having 50 acres of land owed Rs. 7,000 to the co-operative bank. His name is Mahadeo and resides in Bothrai. His land is not worth more than Rs. 50 per acre. I think that the failure of co-operative societies is due to the fact that, when money was advanced, they did not look into the paying capacity and assets of the individual members and the Central Bank accepted the recommendations of the low paid Moharrirs who were paid Rs. 30 per month.

You have given the proportion as regards the sources from which cultivators get their finances. How did you get these proportions?—I have toured over two Revenue Inspectors' circles and have been talking to the tenants. This is my estimate.

You say that you may be able to give us some more information about the Damoh tahsil. Have you got anything now?—I have nothing more to add.

You say that the *barhi* rate for rabi grains is 50 per cent in the first year and 25 per cent afterwards. Do you mean 50 per cent for the first time and 25 per cent after that?—Yes.

In connection with the weaving industry, you say that the weavers have to pay high rates of interest to money-lenders and you suggest that Government should finance these weavers. Will you explain the present system and will you also explain your scheme?—At present the weavers have to pay two or three rupees per cent interest on their loans and there is great delay in their selling their produce, as the market is very limited and at times they have to move from market to market. In the long run, the weavers are not able to earn even two annas a day. If, however, loans could be advanced to them at a lower rate of interest, they may be able to save something.

According to you the industry seems to be doomed. Do you suggest that Government should help this industry?—Government should help only those industries that can stand on their own legs.

You say that co-operative banks cannot give individual relief and suggest that this difficulty should be removed. Is it your view that there should be no joint responsibility?—There may be joint responsibility; but loans should also be granted to individuals. The Central Bank should lend not only to co-operative societies, but also to individuals having good credit.

Chairman: Have you made any crop experiments yourself this year?—Not yet. Last year I made experiments in juar. I got from 500 to 600 lbs. and even 180 lbs. in very much damaged fields. The standard outturn of juar is 520 lbs. and I do not think it is too high an estimate.

Is the wheat crop this year in Abhanna above normal?—No. It is below normal.

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Rao Bahadur K. V. Brahma, C.I.E.: You have stated that the non-issue of receipts by money-lender should be penalized. Are you aware that in the Stamp Act, the non-issue of receipts is already made penal?—I am not aware of this provision.

Do you suggest that it should be made an offence under the Penal Code?—I should think so. I have come across many instances of tenants complaining to me that they have not been given receipts.

In another connection, you have stated that an enactment should be made to the effect that not more than 1 per cent for secured debts and 2 per cent for unsecured debts should be charged as interest. You are, therefore, in favour of fixing the maximum?—Yes.

Are you sure that even with the maximum fixed, the money-lenders will not evade the law by taking the interest in excess of the maximum at the time of advance by deducting the required amount from the principal?—We cannot help such things. Outwardly they would be debarred from charging high rates. I cannot suggest any remedy for such evasions.

In the end of your note you have suggested that Government should take up the work of advancing loans on a wider scale and you suggest that, if the present revenue staff were not able to supervise this, you suggest that one per cent more interest should be charged on taccavi advances, which should be spent on the extra staff, and you also say that there should be less rigidity of collection. Is it your idea that Government should take to agricultural financing on the wholesale scale? Have you thought of the cost of the establishment for distribution and supervision that will be necessary for this? The annual requirements of the Damoh district alone may be nearly Rs. 30,00,000?—The proportion of the indebted tenants is about 60 per cent of the tenantry and in my opinion, one lakh of rupees will greatly help the tenants in the Damoh district.

Rao Bahadur K. V. Brahma, C.I.E.: Do you think that Government will be able to raise the money required for advancing by loan?—Yes.

Do you think it will be possible to work up a scheme on this basis for the whole of the province?—I cannot say about the whole of the province; I can speak about my district.

Do you think that Government will be able to exercise that close supervision that is necessary for this purpose?—I have already suggested that there should be a special officer for this purpose.

Do you think only one special officer for each district would suffice?—I should like to have an officer for each district. The work of issue will be done as usual by Tahsildars, but I think that there should be an independent check by an independent officer to satisfy himself that the money is being spent over the purpose for which it was given.

We have been favoured with an opinion of an experienced revenue officer from the Bombay Presidency. I will read to you what that officer has to say:—
“In my answer to the proposals of the Government of Bombay I stated that for my district alone 1/25 of the Presidency, I should need Rs. 25 millions a year, spot cash to finance the villages if Government were going to take on the business. The calculation was to the rate of only £2 per head of the farming population, not an extravagant amount. My figures were enough to damn the proposals, for there is little likelihood of the Government of Bombay being able to find Rs. 625 millions a year for the purpose of depriving the bankers of their trade and if Government wished to borrow the money they would hardly expect support from the moneyed classes, who are the very bankers who are to be dispossessed. Moreover Government retail finance is clumsy, expensive, dilatory and often tyrannical. Obviously huge establishments would be needed to deal with sums so large and huge establishments mean either very costly control or enormous peculation. Unthrift would be at a premium and petty bribery would flourish, moreover the system would be uneconomical for no Government distributing agency could be devised with sufficient real local knowledge to gauge every man's needs and value every man's security. The village banker knows his means and moreover has to cut his coat according to his cloth. He is naturally and hereditarily disinclined to advance more than his client has a reasonable prospect of repaying.” Do you agree with this

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statement?—I do not fully agree with it. It may be peculiar of Bombay, but I think it does not apply to Central Provinces. My experience is that with a careful supervision the money can be recovered.

Rao Bahadur M. G. Deshpande: How long have you been in Damoh?—For about a year.

You just now said that the money used to be advanced to the society members on the recommendation of society moharrirs. Is it not?—Yes.

When was it?—Before two or three years. I refer to the bad debts that are outstanding.

Can you let me have an idea of the period?—I think since the last two or three years it is stopped.

How do they advance money on mortgage of cattle? Will you please explain it?—They write down a deed mortgaging their cattle for the consideration received. I had a case in my court in which a tenant had mortgaged a calf for Rs. 3.

As regards advances of grain, you have stated that for rabi 50 per cent for the first year and then 25 per cent is charged. But for the last two or three years the *badi* has been raised to 50 per cent. Besides this the malguzars and money-lenders charge 5 per cent for the expenses of storing and preserving the seed grain. Do they store seed separately for each cultivator?—No. It is collected in one *bandha*.

Whose property is it when it is stored in the *bandhas*?—It is the property of the malguzar.

If it is the property of the malguzar, why does he charge 5 per cent?—He charges 5 per cent as supervision charges.

You make some criticism on the system of disposing of crops by the cultivators. What remedy do you suggest to avoid that?—The only remedy that I can suggest is that a cultivator should be made to dispose of the crop like that.

Are you in favour of storing system?—Yes.

Is the proportion of area in which there is *kans* so high as 60 per cent?—Yes.

Do not the cultivators remove it?—They cannot. There are no implements and they have not got good strong ploughs and bullocks. On account of their being heavily indebted they cannot afford to purchase bullocks of high value and cannot consequently weed it out successfully.

Have they no information that Government has provided a steam tackle for this purpose and that it could do the work for them?—No.

Would you favour the use of such an implement?—Yes; provided its cost per acre is not prohibitive.

Do you think that cultivators desire to take advantage of land improvement loans? Are there many applications?—Yes.

Do they get sufficient loans?—In bad years they get sufficient, but in normal years they do not get much.

What is the reason for this?—My idea is that in normal years the cultivators are not so keen on taking loans as they are in bad years. This is one of the reasons. I have seen that in normal years some portion from an allotment of Rs. 3,000 lapses, because there are no applications. In bad years people take land improvement loans and try to save a little portion from it for their use.

You have stated in the written memorandum that residential malguzars have an eye on the neighbouring land and therefore charge a lower rate of interest. Would you not attribute their charging lower rate of interest to sympathetic consideration as they are fully aware of the circumstances of cultivators?—I would call it sympathetic consideration if they did not charge compound interest. Compound interest is being charged, bonds are renewed, and lands are lost.

Does not the Government charge compound interest?—Government can charge penal rate at the discretion of the Deputy Commissioner, but they seldom do it. At least there may be very rare cases.

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What is the percentage claimed by malguzars as nazrana?—I know cases in which 20 to 50 per cent was claimed. There ought to be some fixed limit.

Seth Narsinghdas Daga: You have stated in the memorandum that money-lenders keep accounts whereas borrowers do not keep. How do you blame money-lenders if borrowers do not or are not able to keep accounts?—Money-lenders are not at fault if borrowers do not maintain accounts, but their fault is in not maintaining accounts properly.

Do you mean to say that they do not maintain true accounts?—Yes. Petty money-lenders do not keep true accounts at all.

What is in your opinion the percentage of money-lenders who do not keep true accounts?—It might come to 30 per cent.

You recommend investing co-operative societies with powers of making recoveries. May I know your reasons for that?—My reason for making the suggestion is that I advocate the financing of agriculture through co-operative societies only and as the co-operative societies can extend their activities only, if the special powers of recovery are vested in them, I make the recommendation.

Would you recommend granting of such facilities to indigenous money-lenders also so that they may also be able to reduce the rate of interest?—Certainly, if the rate of interest would be reduced.

Is it your opinion that in recent years the rates of interest have been increased or do you think that they have decreased?—The rate has increased by a little.

It has been suggested to us that after the starting of co-operative movement the rates have gone down. What would you say regarding this statement?—I do not agree with it. I do not think the co-operative movement has extended so much as to call for a general reduction of the rate of interest.

Would you admit that in a different way Government also charges compound interest inasmuch as they recover strictly the loan and interest regularly every year and advance the same amount to others? Does it not amount to charging compound interest?—No. It does not. In the case of money-lenders the object is to gain as much interest as possible, while in the case of Government it is financing.

Mr. P. D. Pundlik: You suggest that the period of lease for occupancy tenants should be ten years and you think that the credit facilities of the cultivator would be increased thereby. Supposing a man wants a long-term loan which he would not be able to repay within ten years, he would not be able to raise the loan on the land as the lease is only for ten years. How do you propose to meet such cases?—Such cases would be very rare and to meet such cases I have suggested that Government should finance.

You would not prefer absolute transfer. Is it not?—I do not prefer absolute transfer.

Chairman: Thank you,

**MR. P. S. DHAGAT, M.A. (Eco.), LL.B., Pleader and Honorary
Secretary, Co-operative Central Bank, Damoh.**

Reply to the Questionnaire.

It would have been much better if the questionnaire of the committee were accompanied with the terms of reference of the committee with a view to enable a witness to determine the exact scope of the committee. The answers would have been more relevant and to the point.

The question of banking is a very wide one and it is not possible to do full justice to the questions within a short space. Similarly, it would be improper to attempt the whole of the questionnaire as I believe better men than myself and more qualified to answer the question will most surely be coming before the committee for giving evidence. I have for these considerations given up part II altogether and certain questions of the other parts also. In my opinion part III is of much greater importance as it deals with the very basic principles of banking and must proceed before any improvement can take place in the actual banking methods.

There are certain other matters which are of very great importance to the Banking Enquiry Committee such as the export and import trade, the circulation of money, the control and distribution of currency, the outfalls from India of monies for which it acquires no compensating advantage, etc. These questions have a much wider scope and I hope may be dealt with by the Central Banking Enquiry Committee. The exchange rate, the location of the gold standard reserves in England and of the Famine Insurance Fund are also similar important questions. I feel that unless these questions are solved the banking conditions cannot be improved very far.

I shall deal with third part first.

QUESTION 2.—(1) The following are existing banking resources in the province:—

- (i) The village malguzars and money-lenders.
 - (ii) The urban sowkars or mahajans.
 - (iii) The banking firms.
 - (iv) Co-operative banks.
 - (v) Joint stock banks.
 - (vi) Imperial Bank of India.
 - (vii) The Government.
- (i) Advances petty loans to his village people and people in the surrounding villages.
- (ii) Finances village money-lenders, also the village people themselves over a large area.
- (iii) These mostly finance bigger malguzar and commercial businessmen of the district. They have very little to do with the agricultural finance, excepting for landed property of their own.
- (iv) These deal with co-operative societies which in their turn deal with the members who are mostly villagers. At present their position is that of benevolent money-lenders.
- (v) These are very few in the province and deal almost entirely with commercial finance.
- (vi) This also deals with commercial banking and its scope of business is limited by the Imperial Bank of India Act, 1920.
- (vii) Government is also an important financing agency as it gives out loans under the Land Improvement Loans Act and Agriculturists' Loans Act and for other purposes of help to agriculture. It also helps banking in the matter of transmission of money and as controller of the currency both metal and paper.

PART 2 of the question cannot in my opinion be ascertained unless a very elaborate and thorough enquiry is made. The amount of additional capital will always vary with the amount of business done and general progress made.

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PART 3.—The co-operative societies and the savings banks are the only institutions which have been contributing towards the achievement of this end. But the influence of savings banks on rural population has been little and those of co-operative societies less.

PART 4.—No. The savings in India are naturally very small and there is absolutely no facility for the investment of such savings.

PART 5.—Habit of investment is a matter which must be created by constant effort. As the income of an average Indian is not enough to meet his expenditure, the question of such a habit is rather a difficult task. We cannot expect that people of a country whose 75 per cent of the population gets two-thirds of a meal given to prisoners in jail can be persuaded to make investments out of their little bit. However economic forces are very strong and think something can be done by way of improvement in the rates of interest available to small investors and I would therefore propose that the present savings banks may be made more alluring to small investors and every post office in existence should be equipped with savings bank branch. I would propose that the rate of interest in the rural savings banks should be increased to as much as 6 per cent for depositors under Rs. 500 and there should be a regressive rate over that amount up to Rs. 2,000. It may be argued that receiving of deposits at such a rate of interest would be distinctly uneconomical for the Government. Against this we must consider the following facts:—

(i) That it would not be improper for the Government to carry on this business even at a loss for the promotion of thrift amongst its subjects.

(ii) That the measure would be a temporary one and will not have to be carried on for a longer period than 20 years, probably less.

(iii) That a portion, say, nearly one-third of the total amount, can be reinvested amongst the agriculturists as seed loans repayable in one year at rate of interest of 10 per cent either to the seed unions or to individuals against mortgage of crops. Thus it will be serving a double purpose of creating a habit of investment and providing cheap credit to substitute a very costly system now in existence. Another one-third share of the savings banks can be invested in the gilt-edged securities or other forms of fluid deposits so that the net loss over the business will be very small.

PART 6.—It is not clear what sort of information is required in this part of the question. There is no doubt that most of the savings of an Indian are invested in the purchase of gold and silver ornaments. But I consider in the absence of proper investing facilities as at present this a very sound form of investment of money as it serves as security against loans that the people may require in times of necessity and obtain from them a much lower rate of interest than is otherwise usual. It is true that gold and silver are liable to depreciate in value by wear and tear as also by the cost of manufacture. The habit therefore cannot be very much depreciated. It is a natural result of bad banking facilities. The psychological effect created in some people by seeing better off persons in society wearing ornaments is certainly a very undesirable result. This has been a cause of debts in several cases.

But the extent of this is not very large as economic forces will always have their way.

QUESTION 2.—(a) Not particularly so. Although they seem to be getting popular with educated class, I think a more definite information can be obtained from the post office.

(b) Yes. A better rate of interest for small investors would certainly help to popularise the Postal Cash Certificate. There appears to be no special change necessary in the existing terms of issue.

(c) and (e) Refer to part (e) of question 1, part 3.

(d) The savings bank facilities are generally availed of by educated persons specially those who are in employment of Government and a portion of the urban population. The rural population is perfectly ignorant of even the existence of saving banks.

(f) I have no personal knowledge of this and am not in a position to answer the question.

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QUESTION 3.—It would be much better for people representing the Government, the Imperial Bank and other banks to answer the first part of the question. In my opinion the Government securities will not be very popular amongst the small agriculturists and investors for some time to come. Our population is not yet sufficiently acquainted with paper money, its importance and significance. I do not think therefore that any attempt should at this time be made for providing small agriculturists and investors with Government securities. Government securities are generally preferred by persons wishing to invest money for charitable purposes, and I think they should be made more alluring to investors of that kind.

(b) I have not seen purchase and sale of securities other than the Government securities in these provinces.

Some but very few have invested their money in small industries or shares of limited companies. Most of them also do money and grain-lending business. The lower middle classes confine themselves to money-lending in various forms. The lower classes have no particular form of investment of their capital excepting that of purchase of gold and silver occasionally.

(d) The tendency to hoard money has of late been on the decline, firstly, because of the general poverty of the masses and secondly, because extravagance has been on the increase in the modern times. The general increase of indebtedness in the years of failure of crops even at high rates of interest also leads us to the same conclusion. It is not possible to give an estimate about hoarding as its extent in the past has always been unknown.

(e) Yes. The farmers do lend money to their fellow-agriculturists, but the terms on which it is given are not in any way different from those of other money-lenders. The extent of this business is small and can even be considered negligible in face of the huge business done by sowkars and money-lenders. Purchase of cattle, specially bullocks, would be an important direction in which the superfluous money would be invested. A statement showing the amount of loans taken for different purposes from the Central Bank, Damoh, during the past 12 years is attached with the memorandum. The figures can be available to this Committee; although these figures will not give correct estimate of the total amount of capital invested under each head it can fairly give us the idea of the proportion in which the capital is distributed over different heads. The income tax figures will not be definite guide as to the growth of capital.

QUESTION 4.—(i) Paper money generally has not been very popular among the people excepting among the business classes where the cheque habit has markedly improved. The urban population is also getting more familiar with the cheques. Much can, however, be done to make the cheques more common and I agree with the suggestion of paying the Government servants through cheques. I consider the growth of the cheque habit will also encourage thrift. The cheque habit will get more common by the inauguration of a regular system of banking on modern lines in all important places. The opening of the various branches of the Imperial Bank of India has been a great cause of the introduction of the cheque habit in several places where formerly it was unheard of. There is, however, a public prejudice about the use of the paper money which would take time to get off.

QUESTION 5.—I do not think the banking and investment habit is of slow growth in India. The truth is that the people are so poor and their sources of income are so meagre that they can possibly make no investments. No nation of the world can be expected under the circumstances in which India is placed to make any headway in its investment habit. It would be cruel to expect that people who can hardly earn a full day meal after labouring for 12 hours will make any large investments. It would be worth while to compare the average expenditure per head incurred by people in the West in their luxuries and recreation and those spent by an humble Indian peasant. This is a subject by itself and needs close examination and study. If the correct amount of money-lending and grain lending business were available, it would be apparent what an enormous amount of business an Indian can do with his average annual income of Rs. 30. I do not therefore support the view that is expressed in the question. The only cause which has led to the apparent slow growth in banking habit is due only to the general poverty of the people. Ignorance of the people, the absence of institutions enjoying complete confidence of the people, the proper facilities for

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withdrawing money at the moment when it may be required by the investor are all causes which have come in the way of the proper development of the investment habit.

(iv) This part of the question should be answered by the commercial people, but one thing is very patent that the opening of the branches by the Imperial Bank of India has made the business class more acquainted with the Western methods of banking. In Damoh, however, it has further tended to create a habit of speculation by supplying cheap money and other facilities for such business. On the whole, therefore, the effect of opening of branch at Damoh did not have very good results. I must, however, say that that was no fault of the bank, it was the fault of those who thoughtlessly entered into such transaction.

Part I.

QUESTION 1.—(a) The only source for the agriculturists to meet their expenses during cultivation is either the *malguzar* of the village or some local money-lender. The items of expenditure are generally composed of advances for seed grain, weeding charges, ploughing and sowing charges, reaping charges and the cost of his and his family's maintenance, and the feeding of cattle. The seed is supplied to him at 20 per cent per annum; seed is an important item in cases of *sabi* crops and not in those of the *kharif*.

The weeding charges are an important item of expenditure in *kharif* crops. Weeding expenses are sometimes avoided if the cultivation is small and the whole family goes out to work on fields. Most of the farmers have, however, to employ labourers on wages to get the work done in time. The labourers are generally paid in kind and if that is borrowed, *sowai* has to be paid on it. If, however, the farmer has some position, he might pay them in cash, but this is very rare.

In some cases where the agriculturists have got no bullocks of their own they have to hire them out to do their agricultural work. If the hire money is paid in cash, the rate of interest charged is 2 per cent per month.

In some cases where there is a strong money-lender he so manages his money-lending business that nothing will be left to his client for his maintenance and the fellow must borrow grain from his money-lender for his maintenance on *barhi*. The circle would go on and the agriculturist can never hope to get free from the debt of his *sowkar*. Thus the poor agriculturist is rendered practically a serf of his money-lender. Purchase of bullocks is another important item over which the agriculturists have to spend a lot out of their annual earnings. Debt for this purpose is generally borrowed and interest has to be paid at 2 per cent per *mansem*. In years of good crops this will be the one item in which a cultivator would invest his spare money. The co-operative societies have also been financing their members for the aforesaid purposes in their own limited sphere. But the extent of their business is very small.

QUESTION 1.—(b) An ordinary cultivator in this district has hardly any means to make any substantial improvement in his lands. I have not seen many cases where improvements have been made by agriculturists out of money taken from others for this purpose except perhaps in cases of the bringing of the fallow lands under cultivation.

QUESTION 1.—(c) During years of scarcity the people depend entirely on Government help, first year of scarcity, those who are considered rich would manage to get money out of their gold and silver wares, but in a second year of famine they would be completely helpless.

Ceremonies are very often financed out of debts and the usual rate of interest is not below 2 per cent per *mansem*.

QUESTION 1.—(B) The rate of interest in this district differs from 10 annas per cent per *mansem* in cases of big loans to as much as Rs. 3-2-0 per cent per *mansem*. The rates of *Kabulis* and *Punjabis* are exceptional and they charge as much as 2 annas in a rupee per month. The period of loan does not affect very much the terms of the loan. The security of the loan and the solvency of the person to whom the loans are given are the main factors in governing the rates of interest. In cases of pledges and mortgage of immoveable properties

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the rate varies from annas 12 per cent per mensem to Re. 1-8-0 per cent per mensem, but Re. 1 per cent per mensem is the most usual rate. In cases of very old debts instalments without interest are allowed when it is found that the debtor may run to insolvency court if no instalments are allowed. On non-payment of instalments terms regarding the whole amount to become due are generally provided. Other forms of business are rare and need not be considered here.

QUESTION 1.—(c) A table showing loans given by the Government under the Agriculturists' Loans Act and the Land Improvement Loans Act is attached with the memorandum. A statement of remission and suspension by the Government is also attached as statement. The Imperial Bank of India has not played any part in the finance of the district except during the year 1927-28 during which time they had an outstation at Damoh. This outstation financed the Damoh grain market indirectly financing the agriculture. The extent of the business was in my opinion considerable, but the figures of its business can be available from the bank itself. The bank had to stop their business, because their costs of maintaining the outstation were greater than they could afford. There are no joint stock banks working in the area of the Damoh district. A statement showing the extent of business done by the Co-operative Central Bank, Damoh, is attached as statement.

The most important rôle of business is done by what has been called the indigenous banks and professional money-lenders. There are no means available to give the committee an idea of the part played by these agencies in the agricultural finance. An idea may, however, be formed from the figures of the amount on which income-tax is paid as also from the value of the money suits filed during the year. I do think these figures can give very accurate idea of the extent of the business. But these are the only figures on which some reliance can be placed. I have applied for being supplied the figures of the Income-tax Department and shall file them as a statement if they are given to me.

QUESTION 1.—(d) This is task by itself. I would not be prepared to accept any off hand estimate for it. Moreover, the term of expenses during cultivation, is a very vague and unascertainable one and there can be no estimate of the total capital required for permanent requirements and other special needs. Any such estimate would not be a very safe guide for the requirements in future. The estimate would differ with the general progress made.

QUESTION 1.—(e) An estimate regarding the grain requirement of this district on the basis of average area under cultivation for three years from 1918 to 1921 taken from the agricultural statistics for the British provinces are attached as statement.

QUESTION 1.—(f) I have been making observations about pointing out the general defects in the system. I may, however, point out some more particular defects which deserve committee's attention :—

(i) Agriculture at present is not a paying business and cannot bear the burden of 25 per cent rate of interest on the seed investment.

(ii) The honesty and integrity of village money-lender cannot always be relied upon. Reputation goes that certain of these grain-lenders provide themselves with double measures—one for giving out the loans and the other for receiving them. The first is short in size and the latter is bigger than the correct measure.

(iii) False accounting in case of illiterate persons is not infrequent.

(iv) As the people are not accustomed to demand receipts for each payment made cases in which repayments are not accounted for or are misappropriated towards some other time barred debt are found daily in courts.

(v) There is no guarantee of the quality of the seed supplied. The system of *khawai* on *barhi* is nothing short of serfdom. The chief reason for the defects are, firstly, illiteracy of the population and, secondly, poverty and helplessness of agriculturists in the conduct of their business.

(iv) Lack of judicious exercise of discretion by the civil courts in suits for money.

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QUESTION 1.—(g) There is absolutely no co-ordination among the various credit agencies and Government. I do not think under the present circumstances it is possible to establish any co-ordination between them. Moreover, I am against all forms of combinations which are likely to result in monopolies. It is, however, possible to establish some sort of co-ordination between co-operative bank and societies and the Government, and I believe that this will be both very useful and convenient to all the parties concerned.

QUESTION 2.—As my knowledge of the information required in this question is based not on personal knowledge, I have left this question out.

QUESTION 3.—The value of land per acre for the different kind of crops in this district is as below :—

	Crop sown	Value.
Kabar (Black cotton).	.. Wheat	... Rs. 66.
Mund No. 1	... Wheat	... Rs. 30 to 40.
Mund No. 2	... Wheat and Juar	... Rs. 25 to 30.
Patarua	... Dhan and minor crops	Rr. 15 to 20.

The main factors governing the value of lands are the following :—

- (a) The quality of the soil.
- (b) The kind of crop that it is likely to produce.
- (c) Whether the land is situated in plots accessible to irrigation.
- (d) Whether the land is being sold for old debts or for other reasons.
- (e) Whether the land is a fresh cultivation or an old cultivation.
- (f) Whether any litigation on some account or the other is to be fought over the land in question.
- (g) The state of general crop produce.
- (h) The purpose for which the land is required.
- (i) Availability of other similar land in the village.
- (k) Whether the land is near to some jungle and, if so, are the crops likely to be damaged by wild animals. The average rates of land under each of the three heads is given above.

QUESTION 4.—The information is too obvious to require any answer. In fact it is a superfluous question which should not have been incorporated in the questionnaire.

(b) Does not arise.

(c) I think the report of the committee appointed by the Central Provinces Co-operative Federation to enquire into the question of starting land mortgage banks in these provinces with all sides of the question is quite satisfactory to make a beginning. The question of starting land mortgage bank in the Central Provinces would involve another big question of the tenancy rights of the cultivators. Most certainly a land mortgage bank will be a great help to the malguzar classes of the Central Provinces as there are at present no institutions who deal for the advantage of this class. Their business is solely governed by the ordinary laws of economics and a malguzar is in many a circumstance left helpless to find money for his requirements.

(d) I think the rights enjoyed by the co-operative societies in these respects should be extended to the land mortgage banks also. It would be a great facility to such banks if the loan issued by these banks is made recoverable as arrears of land revenue. But I am afraid these powers may be badly used. To safeguard against such a contingency the procedure for sale through revenue courts should be somewhat complicated so that the debtor may have a chance to redeem his property before the sale actually takes place.

I do not think much can be done in respect of matters referred to in part (a) of the question.

In respect of part (b) the present system would be very well. Any further concessions are likely to work hardship on the constituent of the bank. In respect of part (c) the same rights which are enjoyed by the co-operative societies should be extended to the land mortgage banks.

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PART E.—I am in favour of the issue of debenture bonds and long-term deposits for the working capital of the mortgage banks.

PART F.—Yes. Debentures must carry Government guarantee for at least the payment of interest at a particular rate of interest.

PART G.—Government supervision with Government representation on the Board of Directors of the Bank should be enough to safeguard Government from unnecessary loss.

PART H.—Most certainly. Yes.

PART J.—The report above referred to has dealt with the question and I agree with it.

PART K.—I have no further suggestions to make beyond those contained in the report.

QUESTION 5.—(a) This question deals with the very crux of the agricultural problem. It has been suggested that in those parts where agricultural holdings are not transferable, the agriculturists should be given transferable rights by legislation, but this in my opinion is not a very safe method of increasing the value of the assets of the agriculturists as it would lead to their total destruction by the village sowkars. On the other hand, there appears to be no present remedy for the increase of the value of the assets of the agriculturists, but whatever may be the remedy it is certainly very necessary that we should have some means of gauging the indebtedness of these classes and devise measures for meeting the problem in the light of the local circumstances.

(b) So far as I know, no village survey or estimate has been made in these provinces with regard to the economic condition or the state of indebtedness of any village or district, but I feel that some such surveys are absolutely necessary on the lines on which enquiries have been made in the Punjab and Bengal as they would be a very good guide to us in the matter.

(c) The manner in which the estimates of indebtedness can be obtained is hard to lay down. Under the present circumstances the statistics that are at present available are insufficient and not reliable. Moreover, the indebtedness which is incurred by means of bonds, promissory notes and *sarkats* is practically impossible to find unless a door-to-door enquiry is held which seems to me an impossible task both for reasons of its task and for reason of its cost. Rough estimates can, however, be made by taking the available figures into consideration. Firstly, the amount of debt incurred through registered mortgages in the year should be taken up; secondly, the amount of loan advanced by the Government under the Agriculturists' Loans Act and the Land Improvement Loans Act and other forms of loans issued by the Government; thirdly, the sale of hundi paper can also give the transactions done through them; fourthly, advances made through co-operative institutions; fifthly, the amount of the value of money suits filed in civil courts should all be added together.

These are the definite sources which are available to us; but there is a huge amount of indebtedness which is difficult to find out unless a door-to-door enquiry is held. The figures of income-tax will also help us in our approximation. The figures of the money suits, the amount whereof is settled by private compromise, will be left out; similarly from the income-tax figures, the figure over which no income-tax is being paid, will be left out. Although the income-tax figures will not be accurate, they will fairly give us an idea of the general amount of money-lending and grain-lending business in the district.

For the future I would suggest that instruments for recording transactions of loans should be separately issued by the Government, so that the amount of loan business in the district can easily be ascertained. Thus I would propose the issue of separate stamp papers for bonds and *sarkats*, stamps for promissory notes and *sarkats*.

All the same I do not think that even the above estimate will be very accurate. I have filed a statement with this questionnaire of the estimate of the indebtedness in this district based on the above lines. In any case, the indebtedness thus found cannot be more than actual indebtedness; it will always be less.

(d) A. The registered mortgages in these provinces are very clear and generally give all the details that are necessary to know with regard to the indebtedness. It is possible that there may be a certain proportion of fictitious, and bogus

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mortgages meant either to prevent the judicial sales or defraud other creditors. But the number of such mortgages cannot be very large and a look at the civil court registers will give us a proportion of bogus mortgages to the real ones. An average amount of such mortgages can be deducted from the total amount of loan under registered mortgages.

(d) B. We do not have any such things in the Central Provinces. No debt is concealed in the form of judicial sales.

(d) C. Figures regarding this cannot be available from the Registration office, but it makes very little difference what the security in the mortgage is.

(d) D. The question is the incurrence of the debts and causes leading it. These securities do certainly affect the rates of interest, but the credit of the person incurring the debt is always the prominent guide of the rates of interest.

(e) The figures relating to this question can only be available from the recitations of the registered documents, but such recitations are not always correct, as in cases of women and children where legal necessity has to be proved in a case perfectly wrong recitations are put down in the body of the deed, although the debt is meant for purposes which cannot strictly be called legal necessities. As regards other deeds, it would be impossible to say for what different purposes the loan was incurred. But to have an idea of the proportion of debt incurred for these various purposes, I file a statement from the records of the Co-operative Central Bank, Damoh, showing the purposes for which the loans were advanced for the last ten years. These figures will only go to show the tendency of the borrowers in the matter of their expenses, but are not a very safe guide for the whole of the district.

(f) 1. I have given in a statement the figures of loans granted by the Government from 1928 to 1929 under various heads. The figures of the co-operative societies are also given in a separate statement, but I am of opinion that large amount of business is being done by indigenous bankers and professional money-lenders. It is however difficult to say what the extent of this business may be but it appears the professional money-lenders do the greatest amount of the business.

(f) 2. As the figures of the debt itself cannot very accurately be found, it is very difficult to say the extent to which indebtedness is due to the growth of the debt by compound interest, but there is, however, no doubt that compound interest is a very important factor in the increase of indebtedness. This coupled with the exorbitant rate of interest multiplies by leaps and bounds. In law courts it is well-known how suits are filed where the principal sum advanced was only a very small proportion of the total amount due. The civil court registers do not also help us in this matter. There is no separate column for showing the principal amount due and the interest due thereon. It is, therefore, impossible to give an exact idea of the information required in this question.

(f) 3. As I have pointed above, the great cause of indebtedness is the very high rate of interest and it is strange that law courts have freely allowed high rate of interest. The ruling is to the effect that 2 per cent compound interest is not a very exorbitant rate of interest in this part of the country. Fortunately, this ruling relates to a case from Damoh. It may, however, be observed that this is the rate which a creditor legally expects and considers perfectly justifiable both on moral and on economic grounds. It has been said very often that social function such as marriages or death ceremonies are sometimes very serious causes of indebtedness. Expenses on these occasions certainly cannot be denied, but in my opinion such indebtedness is over-exaggerated comparatively with other countries of the world. It is only the few who have certain amount of credit among his fellows who apt to be extravagant on these occasions. The other cause for indebtedness is said to be litigation. I think that this is to a certain extent correct. Matters which should ordinarily be settled by arbitration or at a caste or village panchayat by pressure of other village folks are pressed into law courts simply in the expectation that it may be more advantageous to fight it out in courts. Litigation in India is more like a gamble and the human tendency to gamble is very well-known. Measures to abolish litigation would, therefore, be very useful in a scheme for decreasing the indebtedness of the general population. The cost at which justice can be had in law courts is very well known. The question of unemployment is also another great cause of indebtedness. The general belief is that only the educated people are at present unemployed. But if searching enquiries be made to know how many people in a village have full day's task it would be found that at least

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50 per cent are such as are partly employed. The fractional holdings of an Indian village are well-known. An agriculturist would confine himself to his paternal holdings although it may not be sufficient to meet his annual expenses and as he will probably not have enough work in his part holdings he must be considered to be partly employed for a certain portion of the year although he seems to be engaged all the year round. The total number of tenants in this district according to the Government figures is 23,335 and the total cultivated area is 563,451 acres. On the average, therefore, a tenant holds (sic) acres of land which can hardly be said to be enough to maintain his family of at least 5 members. It is, therefore, absolutely necessary that some sort of other forms of engagements be provided for the agriculturists so as to increase their annual income. As to the form which these engagements should have, I shall deal later on. To do away with these seemingly engaged people, I would even suggest an amendment in the Hindu and the Tenancy Laws of succession and would urge that division of holdings of less than 4 acres of land should not be allowed by law and that the question of interest of each of the successors of the farmers should be settled in money values. This I think can be conveniently done by allowing each success or to bid for the holdings and whoever gives the highest bid for the holding should have it, and the rest of them should be left to seek their own methods of livelihood although this may seem to be somewhat hard, but in course of time we shall know what the problem of employment really means and most certainly, the next problem before us will be to provide these people with work. If we go to the root of the agricultural problem, it will be found that agriculture as at present conducted is not paying profession and agriculturists have therefore necessarily to remain in debt constantly. My personal experience in the matter has not been otherwise. Measures therefore should be adopted on a large scale to see that agriculture itself becomes a paying industry, unless this is done there can be no help for the cultivator and therefore for the mass of the population.

(f) 4. The most usual rate of interest charged is 2 per cent per mensem. Compound interest is very often levied in business transactions the usual rate of interest is Re. 1 per cent per-mensem. In the Mahajans system of accounting the interest that has fallen due is debited to the account of the debtor at the end of the year and added to the principal, the whole amount carries interest, thus although apparently it is considered by the debtor to be simple interest it actually turns out to be compound. For secured debts all kinds of various rates from 9 per cent to 18 per cent per annum are found. 12 per cent to 18 per cent, however, is the most usual rate for secured debts. A penal rate of interest is generally provided in case of failure to pay on the promised date and compound rate as penalty is most often to be seen in the bond both registered and otherwise. The method of calculating interest is simple unless otherwise provided for in the bond itself.

(f) 5. With regard to these I would request the committee to send for the reports of the Registration Department issued from time to time. In the statement given in the reports figures are shown in which land has passed from the hands of the agriculturists to non-agriculturists and I do not think I can make a better comment on this question than what will be revealed from those figures.

(f) 6. As I have got no experience of the different areas mentioned in this question, I cannot make a comparison between them, it is most obvious that famine zone will be found to be the most indebted part of the province. I consider my own district in the famine zone of these provinces, and the condition of the cultivators is in my opinion worse than in any other part of the province.

(f) 7. I do not think that the process of passing lands from the hands of the cultivators to those of the non-cultivators has any effect on the incentive of the actual cultivator to produce more, because the process is so slow and imperceptible that the ordinary cultivator does not realize it. Moreover, when the lands pass from the cultivators to non-cultivators, they have usually let out either on sub-tenancy or *batai*, that is on rental and half the produce. In both these cases, the cultivator has to do his best to produce to get as much out of the soil as he can. On the other hand, he is to make greater efforts to get the best crop than what he would have done, if he were the sole master of his land, because he knows full that if he produces less he will get a less share in the produce which may not suffice to keep him for the year.

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In cases, however, where the cultivator expects that will ultimately be taken away from him, the sum of indifference does come in and the incentive to produce more is lost.

QUESTION 6.—(a) Most of the industries mentioned in this question are not subsidiary industries at all, although they may be called allied to agriculture. Similarly, we cannot strictly call them supplementary. These industries are practiced by persons having them by themselves. Rice-milling is an independent industry in itself; but no rice-milling mills are to be found in this district. Dairy-farming is carried on to a certain extent, but this also is done by a special class of people on business lines. The agriculturists have dairying only for their personal use. It has, however, been observed that during famine years some advantage is taken of the existence of cattle with the agriculturists. There is some difficulty in this industry with regard to the grazing grounds and the facilities to agriculturists to graze them in forests which nowadays are utilized mostly for lac and other more productive purposes and of marketing of such products than grazing. Gur-making is practised to a very small extent in this district. The area under cane during the years 1919, 1920 and 1921 is shown in a statement. Owing to difficulties of irrigation, this is also not the industry which can be taken up by agriculturists in general. Moreover, cane-growing requires some sort of expert knowledge and cannot be resorted to by ordinary cultivator. The capital required is also such as cannot be afforded by an ordinary cultivator. Gardening produce is resorted to in this district by a particular class known as Kachia. Although this business would certainly be very much more paying than ordinary agriculture. It cannot be resorted to as a subsidiary industry to the main profession of agriculture. Gardening work requires constant supervision, which an ordinary cultivator cannot afford. Cotton ginneries are industries by themselves and can only be taken up by persons having certain amount of capital of their own. It also requires a certain amount of technical knowledge which is not easily available under the present circumstances. No cotton ginneries, however, exist in this district. There are no sugar refineries in this district. In my opinion they also require technical knowledge which is not easily available at present. I consider them to be independent industries by themselves. Hand-spinning is the only properly called subsidiary industry which can be taken up by agriculturists, but the question of foreign competition and the mill-made yarn is the very great obstacle in the question of its popularity. All-India Spinning Association is doing its best in this direction and I consider that it deserves full support from the Government. I feel that spinning could be made much more popular if it had been taken up as a relief measure during the scarcity years and in my opinion it would have paid quite as well as either metal-breaking or other kinds of work taken up in the scarcity camps. The capital required would also have been to the Government under the present system. Hand-spinning has become somewhat popular owing to the efforts of the congress committees, and so far it has been mostly taken up by women, but even taking for granted that women alone resort to this industry, I consider an amount of energy which is being wasted and is not being utilized in any productive purposes will be made use of and will go a great way in helping of the family in the matter of their family expenses. It deserves all the encouragement that the Government can possibly give. Carpet-making is an industry confined only to a particular class of people and will not ordinarily be resorted to by people of other classes at present. Actual carpet-making in its modern sense is not to be found in the district. But rough sort of floor coverings are prepared and sold in the bazar. Owing to the technical nature of the work and complication of the task, I do not think it can be taken up by any large amount of the population. Basket-making is an industry by itself and is a caste trade of the class known as Basora. There would be caste prejudice to undertake this profession by any other higher caste. The remarks made against carpet-making are applicable to the case of weaving also.

(b) Before the question of subsidiary or cottage industry is taken up, the question of marketing their produce would be an important one. Unless arrangements can be made to market the produce at profitable rates, I do not think any good can come out of such industries. Further, I do not think these industries would last very long in the face of competition if they are based on unsound economic basis. It is also to be recognized that private efforts cannot go very far in the matter of initiating these industries in the population. The lead therefore, must be taken up by the Government itself and the best way of doing

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this would be the inauguration of the policy for the establishment of industrial high schools in every district headquarters. I feel sure that sufficient number of candidates will be prepared to take education at these schools and most naturally settle down in the industries as their life members. Another industry would be to encourage them through the ordinarily organized bodies such as co-operative societies, seed unions and to meet their finances the Government should be prepared to subsidise these institutions for the work they do in this direction. I do not also see any reason why the All-India Spinners Association and its branches should not be helped in their cause by the Government. I think it would also do very well to compel boys in schools to take up some form of industrial work as a compulsory subject. This will give them a training for manual labour and hand work. I hope the habits formed in the childhood are likely to develop along with the general development of the boy and would result in his adhering to some form of industry in his life. I am of opinion that it would also be fruitful to reorganize people who undertake to do some kind of industrial work into co-operative societies and for the purpose of marketing their produce it would be well to organize co-operative stores. These stores should keep themselves in communication with each other with regard to their produce and their requirements. I hope that the produce of one place can be used up in another and it would be possible for cultivators to get the best price for his produce. I do not see another way for dealing with the problem. If each producer has to go to market to sell the few things that he may prepare on rate probably not very favourable to him, the whole purpose of the scheme will fall through.

It would be necessary that people prepared to undertake subsidiary industries should be financed by the Government, in the same way as under Agriculturists' Loans Act. A legislation on the lines of the State Aid to Industries Bill will be necessary condition to the taking up of the scheme. I hope several proposals in answer to this question will be coming before the committee, but I have told before, I consider hand-spinning to be the best of all. The committee will realize that any industry which is meant for 70 per cent of the population of India must be such as can be easily taken by them without much training or without any specialized or technical knowledge.

The instruments that he is to deal with should be simple and easily repairable in his own village. The raw materials with which he is to deal should be producible in his own part of the country, and lastly, there must be demand for the commodity he is preparing. With these qualifications existing in the industry, I would prefer it without any prejudice that may be put before the committee, and, therefore, refrain from making any suggestions in the matter.

(d) Under the present circumstances no facilities exist for financing these small industries. It cannot be denied that they are in sore need for credit facilities, and I think an enactment of the kind of the State Aid to Industries Bill, as was proposed in the Central Provinces Legislative Council, would be a very considerable advance for the financing of these small industries. It is difficult to forecast what special credit facilities would be required. This can only be learnt during the actual process of working the details of the various industries.

(e) As I have already pointed out in my answer to part B of this question, the best method of securing the working capital for these industries would be loan from the Government funds in the same form and shape as under Agriculturists' Loans Act. In some places, however, co-operative societies for the production of a particular kind of commodity can be formed and financed by the Central Banks. It is possible that after sometime private capital may come forward to work out the successful industries and it may not then be necessary for Government to advance loans. However, the greatest possibility lies in co-operative efforts which I believe must be helped by the Government in every possible way even by guaranteeing the return of certain percentage of interest on the working capital of such co-operative institutions. As regards the marketing facilities, I have already spoken above, and in my opinion co-operative marketing is the only best method of marketing these products.

(f) In view of my answers to the above question, I do not think this requires a separate dealing.

QUESTION 7.—(a) The relations of the Imperial Bank of India and other joint stock banks and the business which the Imperial Bank of India undertakes with indigenous bankers and traders are governed by the Imperial Bank of India

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Act and a separate mention of it is not required here. The co-operative banks have no direct connection with the Imperial Bank of India. The only co-operative bank that deals with the Imperial Bank of India is the Central Provinces co-operative bank, but so far as I am informed, the relations that exist between the two are simply trade relations and there is nothing special to mention about it. The financial position of the Central Provinces co-operative bank has been very strong and there has not been any necessity for it to depend on the Imperial Bank of India for any financial transaction. Ordinary banking business goes on just as it would go on with any other joint stock bank. I do not know if the Provincial Co-operative Bank enjoys any special concessions or benefit in the matter of its dealings with the Imperial Bank of India. But I do not think it enjoys any such concessions.

The co-operative banks do not have anything to do with any of the joint stock banks that exist in this province under the bye-laws of the Central Banks. They cannot deal with any agency foreign to co-operative movement, without the permission of the Registrar, and I do not think permission of the Registrar has ever been sought to have dealings with any of the joint stock banks. Co-operative banks have at present no connection with the indigenous banker also. Although in the beginning of the movement loans used to be taken from the local money-lenders for purposes of financing societies. These used to be only temporary loans and interest at 6 per cent was allowed. The practice in this district of taking temporary loans from local money-lenders has been stopped for a long time and at the present moment the position of the bank is such that it does not need any help of this kind. Taking the other side of the question I do not think there have been any important transactions between the co-operative banks and the Imperial Bank of India, joint stock banks, indigenous banks or bankers. I do not think there has been any effect on the rate of interest charged by the co-operative banks on their societies by either the increase or decrease in rates in either the Imperial Bank of India or joint stock banks or any indigenous banks. The main reason for this is that the co-operative banks have a monopoly in their own sphere of work and I do not think that the other banks as they at present stand can compete with the co-operative banks in the business that they are doing. There has been, however, some effect on the rate of interest allowed by these banks on their deposits. This effect, however, has been imperceptible as the rate of interest allowed on deposits by co-operative banks has generally been larger than those allowed by other banks. There seems, however, to be no definite relationship existing between these institutions.

(b) The difficulty of the co-operative societies for long-term loans has been great and in my opinion the present co-operative societies under their present byelaws and under their existing circumstances cannot afford to give long-term loans to their constituents. The main reason for this is that the money that the co-operative societies get as deposits is only for short-terms and it cannot be said at what time this may be required by their depositors. They cannot, therefore, afford to employ this money in any long-term investment. Along with this, must be remembered the fact that the major portion of the working capital of the Central Bank in Damoh at least is composed of deposits from individual depositors. In Damoh bank the deposits are generally taken for only two years and, therefore, they could not both under their present financial circumstances and under their bye-laws have allowed long-term investment. I do not think that with the present method of their working long-term business can be undertaken by co-operative societies. Moreover, the difficulties in the matter of recoveries of loans, have been so varied that even the short-term loans tend to be long-term ones. At present, co-operative societies give out loans for purchase of bullocks, seed, lands, to meet cultivators' expenses, house-building expenses, marriage expenses and sometimes for their own maintenance expenses. They are ranged to be paid back according to the nature of the loan in periods of one, three and four years. If long-term business is taken up by co-operative societies, it would be necessary for them to float their own capital by either issuing the debentures or bonds for long-terms and this would require the amendment of the byelaws of the Co-operative Societies Act. As regards short-term loans, the difficulty at present has been the determination of the credit limits of the members of the societies and the verification of the application of the loans issued by the co-operative societies to their members to the purposes for which the loan has been given. I think the purposes for which loans are at present issued by the co-operative societies cover a wide range of the necessities of the cultivators, but the credit

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limit has been a great handicap in issuing proper amount of loan to the members to meet their money supply sufficiently. There, however, appears to be no remedy for this evil. The credit which the present farmer enjoys is very small and since the co-operative societies or any other financing body that may be dealing with the farmers cannot go beyond this credit limit, the rights of occupancy which prevent the holdings of an agriculturist from being either sold or attached in a civil court and for the crop of which not even a receiver can be appointed is another cause for the insufficiency of financing done by co-operative societies. I think much good can be done if some form of transferable rights were given to the agriculturists in favour of co-operative societies. It is a pity that the question should have been several times dropped in the Central Provinces Legislative Council. The cry for the conferral of transferable rights to the occupancy tenant is a very old one (probably as old as the movement itself), but no steps have been taken in this direction up till now. I am definitely of opinion that the co-operative societies do deserve a special concession in this respect. I also expect that if such right in favour of co-operative societies are conferred, there would be very little chance of using those powers. The very fact that the co-operative societies can put occupancy lands either to sale or lease or can apply for the appointment of a receiver in payment of the debt of the members would be a sufficient sanction for members to pay their kists in time. In this respect the co-operative societies must be distinguished from an ordinary sowkar, because there are several distinct advantages which the farmer gets by having his dealings with the co-operative societies. Firstly, the rate of interest charged by the co-operative societies is not quite so high as that of other sowkars. Secondly, the co-operative societies help the farmer to build his own capital by providing for reserve fund. They also get a benefit in the shape of the reduction of interest by the application of the reserve fund scheme. An ordinary sowkar does not allow his client the choice of paying the money in instalments. If he does, it is only when he considers that his whole debt would be in risk if he did not allow instalments to his clients. It cannot be said that the indigenous bankers does not allow instalments to his clientele, but it would be invariably found that instalments are allowed only in those cases where the sum due is composed of huge amount of the interest and *badies*. It may be admitted that the formalities of the co-operative societies are so many and take such a long time that a member does sometimes feel that his sowkar is better than the co-operative society, but this is not sufficient to compensate the advantages that the agriculturist gets by his dealing with the society. I, therefore, think that certain concessions of the above nature are truly justifiable in favour of the co-operative societies. I am of opinion that the Legislative Council, as it is present composed, is predominated by the landlords and the money-lenders class and has, therefore, dropped Mr. Fulay's Bill for extending this concession to the co-operative societies.

The question of recoveries of money at proper time lies at the root of the whole structure of co-operative movement, and without guarantee for recoveries in time. I do not think co-operative movement is likely to make much headway in the province. Along with the question of the recoveries must be dealt with the question procedure to be adopted by co-operative societies in the realization of their dues. The question also involves a number of the difficulties of co-operative societies. Ordinarily, if a member of a co-operative society is shirking to pay his kist, the only remedy available is that a meeting of the society should be called, a resolution should be passed that award should be taken against the defaulting member. Application has to be prepared. It has to be sent to the Central Bank office for being forwarded to the Registrar. The Registrar has to issue notices to the defaulting member to show cause why award should not be given. Then draft award is sent for verification and he finally gives the award. This has the force of a civil court decree and must be executed as such. The period required for all this procedure can well be imagined, and it must be noted that the defaulting member has full knowledge of what is being done against him and has an ample opportunity of wasting or hiding his assets to avoid any realization by court process. Thus by the time that the award comes, no assets will be available with the member excepting probably very small share of his immoveable property—probably his house or some small piece of absolute-occupancy or malik-makbuza land. If there is any such property left, the case can very well be considered as a good one; objections under section 60 of the Civil Procedure Code, then come forward and most of them are allowed. We do not know of any thing like

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attachment before judgment in co-operative matters. It must, however, be borne in mind along with these facts that the bank and the society are after all impersonal beings and do not enjoy the same amount of personal interest in its execution as would be the case with any other money-lender or sowkar. It is, therefore, not very unusual to see that most of the processes issued by the co-operative societies are found to be infructuous and of no avail. Methods of avoiding process are well known and their effect is intensified in cases of executions of co-operative societies. It is, not very unusual to find cases in which very good and solvent agriculturists have spoiled their financial position for the sake of avoiding the payment of societies debt.

In cases of liquidation also practically the same procedure has to be followed with the exception that the liquidator is entitled to change his order every now and then according to the circumstances in the case, but all the same the procedure is quite as dilatory as in the case of awards. In liquidation, however, there is the chance of obtaining a certificate for realization of the debt as arrears on land revenue. This question of recoveries of debts, therefore, is a very important matter, and controls the finances of the co-operative societies and it is always unwise under the present circumstances to advance loans to societies which cannot be easily recovered, but if only such amount is advanced, it will not meet the needs of the agriculturists, and he must resort to his village money-lender who would dictate any terms he likes to the members telling him that all his property has been taken over by the society as a security for his debts. To summarize, therefore, the two main difficulties in the matter of finances of co-operative societies are firstly, their low credit limits, and secondly, the irregular recoveries.

(c) Co-operative movement in this district is not sufficiently expanded and under the present circumstances I do not think there is any necessity of any extra capital for co-operative movement. A statement showing our assets and liabilities is filed as a supplement. But if the movement develops, more societies will be formed and the question of extra capital would certainly come up, but at the same time if business thrives and the former confidence of the people in the successful working of banks, revives, I think some more capital can be raised out of the deposits. The Provincial Bank has always been willing to give us amount of loan that we may require, and I have not felt any difficulty with regard to the further capital. I think that if the movement expands further to a certain extent, the Provincial Bank will be able to help us in the matter. The question of extra capital, therefore, is not an important one in our bank at present.

(d) No, I do not think so.

(e) It does not arise.

(f) Generally speaking, it must be admitted that co-operative societies, if they are to be successful and to be of some importance in the practical affairs of the world, should be placed in some better condition than are enjoyed by other banking institutions or private persons. It must be recognized as a plain fact that no movement, whatever its nature may be, can be very successful if it depends solely on the moral instinct of the people. This is the age of materialism and of economic influence. The very nature of the people is governed by these influences. Under these circumstances if it is desired that the co-operative movement should come to be successful, simply out of moral considerations, it is hoping against hope. Unless the movement can offer financial and economic attraction to the member, it will be useless to expect that the movement will be a success. Moreover, the people are under diverse influences. The efforts of a few people to moralize them will be simply wasted. I do not mean to say that the moral side of the movement should altogether be neglected but economic advantages must have a predominant feature in the movement. It would be easily realized that co-operative societies cannot offer any economic attraction to their members unless they are placed in some better position than the ordinary money-lenders and banking institutions. As I have already observed before, the co-operative societies, fully deserve this confidence and it is with this end in view that I have above expressed my opinion regarding the transferability of agricultural holdings in favour of co-operative societies. As regards other concessions that may be extended to the co-operative societies, I would mention that exemption be made of the co-operative societies from payment of court fee and process charges. The present co-operative societies already enjoy the privilege of

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being exempt from the ordinary income-tax. I would most certainly wish that the debentures issued by co-operative institutions should be mentioned in the list of the trustee securities. It would also be a great financial assistance to the co-operative institutions if certain kinds of securities such as Post office cash certificates are available to them to invest their own excess capital or their reserve funds and fluid reserves so as to make them more profitable to the movement. The movement at present already enjoys the privilege of transmitting money without charges by means of Remittance Transfer Receipts, but this is at present confined to only to the genuine co-operative purposes only, but if these privileges were extended for all kinds of monies to be transmitted between two co-operative institutions, I should think that it will be a very great advantage to the co-operative institutions. They may be able to control some of money transmission business also. A concession in the rate of money order commission, remitting money from the members of the co-operative societies to either their societies or to the Central Bank, is also a question which needs consideration. This will do away with the risks of money collections through not very reliable Muharirs. Exemption of octroi duties or terminal tax in cases of goods received on behalf of co-operative institutions or dispatched on account of co-operative institutions will also be an important concession in cases of co-operative stores and co-operative marketing.

(g) I do not think that the co-operative movement has succeeded to any great extent in meeting financial needs of the agriculturists. The total working capital of the Co-operative Central Bank, Damoh, is only three lacs of rupees. Out of this only two lakhs of rupees are distributed among the agriculturists. The sphere that is served by the co-operative movement is also not very much. The total number of societies in this district is about 70, and the total membership does not exceed more than a thousand members. These figures would clearly go to show how far the movement has met the financial needs of the agriculturists in general. Further, I do not think I can cite a single instance to show that the co-operative societies have so far been able to free their members from outside debts. The co-operative movement in this district has not touched, so far the small traders or industrialists and I think it will take sometime before this form of co-operation will be successful. I do think, not touched, so far, the small traders or industrialists and I think it will take sometime before this form of co-operation will be successful. I do not think, however, that we can do something for these traders and industrialists in the matter of helping them in their financial needs. It is patent enough that we cannot in any way meet their capital expenditure, but for their current needs much can be done. The financial assistance that will be required by various businesses and industries will be of various kinds, and I do not think it would be proper here to enumerate how each industry or trade should be financed. I think that if once a co-operative institution for any business or industry is formed, it should be the primary duty of the movement to help them in all possible ways. I feel quite sure that we can form the weavers, leather-workers, book-binders, carpenters, drapers, basket-workers' societies in this district quite successfully although they would require careful watching and sympathetic guidance to ensure success. Care must, however, be taken to inaugurate the movement in this direction carefully and gradually. I think that the present financial resources of the movement at Damoh are quite enough to meet this additional business. It may, however, be found necessary to equip the movement with certain amount of technical advice and supervision.

(h) Usurious Loans Act is practically unthought of by the judges. Its application to my knowledge has been confined to very very rare cases. I did not meet with more than two or three cases in my practice of the last seven years, in which provisions of the Usurious Loan Act were made use of.

(i) As I have not been able to get a copy of the Punjab money-lenders' Bill or the Indian Money-lenders' Act, I am not in a position to give my opinion on that subject. I may, however, add that some sort of money-lending regulation must be taken up in hand.

(k) No, I am of opinion that intimate knowledge as to the local conditions is necessary to transact co-operative lending and borrowing business. I am not of opinion that the business can be taken up on provincial scale, although, I would have no objection to the greater fluidity of money between the Provincial and the Central Bank.

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Oral Evidence.

Jubbulpore, the 20th March 1930.

Chairman: The written statement of the evidence which you wish to lay before the Committee has been circulated to the members. Is there any other statement which you would like to make before we proceed to ask you questions?—I have no further suggestions to make. In fact, I would like myself to be examined specially on the point of agricultural finance. I do not think that, with the limitations that are placed on us, we can find out any way which can better the lot of the agriculturist. The only way lies in the expansion of the co-operative movement but where too there are also obvious difficulties.

On page 3 of your written statement you have stated that 75 per cent of the agricultural population gets two-third of the meal given to prisoners. Do you mean to imply that prisoners are overfed or that the agriculturists get very little?—The agriculturists get very little.

Is it based on any enquiry or is this your impression only?—I have made my statement on the basis of a thesis written by Mr. Daya Shanker Dube, formerly a research student of the Allahabad University.

What do you consider to be a fair rate of interest which agriculture can bear?—Not more than 9 per cent.

You have stated before us now that the co-operative movement is the only solution for improving the condition of agriculturists. Having regard to the fact that 9 per cent, in your opinion, is the highest rate of interest which agriculture can bear, how do you think the co-operative movement, which charges 12 per cent interest, is going to solve the problem?—The co-operative movement itself is charging too high a rate of interest.

How do you propose to reduce the rate of interest?—That is a problem. We cannot blame the local money-lenders for the high rates of interest, because they have got to take risks. The honorary workers in the co-operative movement have not got much time and they do the work only in their spare hours, hence they cannot give sufficient attention necessary to make the movement a success and so to enable them to reduce their rates of interest. Moreover if they reduce their rate of interest, perhaps their business will be greatly effected and they may not be able to bear the cost of management. So unless we can give certain concessions to co-operative societies, e.g., in the matter of realization of their loans and in other respects, we cannot expect them to reduce the rate of interest. They ought to reduce the rate of interest if they are given certain special facilities.

You have stated in your written statement that question 4 in the questionnaire regarding legal impediments to mortgage of land should not have been inserted in the questionnaire. Why do you think so?—The Tenancy Act is very clear on this point. If it was with a view to elicit the views of witnesses, it should have been better worded.

You have given us, later on, a statement of the indebtedness of the district, according to your calculations. Do you think your figures are correct?—I think they are too low. I had applied to the Income-tax Department to supply me with figures, but could not get them. From the figures I could get at, I have prepared my statement.

You know that we have been endeavouring to find out the indebtedness and you would not be surprised to know that the indebtedness is greater than the figures suggested by you?—No, I would not be surprised if I find that the indebtedness is considerably greater. I did not know that the committee had made any intensive survey in villages of every tahsil in the province, as have been done by certain economists in Bengal, Punjab and Madras.

Later on you have stated that the total number of tenants in the Damoh district according to Government figures is 23,335 and then you proceed to give us a statement showing the number of holdings. Do you mean to imply that the number of holdings is the same as the number of tenants? We ourselves have calculated the total number of tenants from the Census figures. It would not be safe to base your figures of the number of tenants on the number of holdings, because a tenant may hold a number of holdings?—I agree that the number of holdings is not necessarily a safe index of the number of tenants.

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Actually the total population of the Damoh district is only 3 lakhs and not more than 2 lakhs of these persons are tenants, including their families. Your figures seem to imply that there are five lakhs of people dependent on agriculture?—My figures will only go to show average area of a holding.

What do you think is the average holding of each tenant?—The average holding is about 7 acres: in any case, it cannot be more than 10 acres. This is based more upon my experience than upon figures.

As regards the co-operative credit movement, you have stated that your conclusions are that the movement has not been able to free the members from outside debts. In another part of your written statement you have stated that you agree that it is not possible for the society to make long-term loans. It therefore follows that a different agency should be created for long-term loans. Would you be in favour of a land mortgage bank?—Yes.

Do you think that the land mortgage bank should be run on co-operative lines?—The principles of co-operations need not be included in the land mortgage bank. The mere fact that there is a mortgage is sufficient security.

About the question of the grant of rights of transfer, I understand that you are not in favour of granting these rights in general, but only in favour of the co-operative banks. Why is that?—We cannot expect the same treatment from ordinary money-lenders as we could expect from co-operative institutions. My object in my recommendation is to give some preference to the societies over ordinary money-lenders. It will facilitate recoveries by co-operative societies. It will also benefit the agriculturists, because they will get money at a cheaper rate of interest.

Going one step further, would you admit that, if the rights of transfer are granted in all cases, this would result in the reduction of interest charged by ordinary money-lenders?—It will: but I think that it will also result in the agriculturists losing their lands to money-lenders.

You have also stated that the co-operative societies help the farmer to build his own capital by providing for reserve funds. Would you explain your meaning?—I do not mean to say that the farmer obtains his own capital thereby: but he, with his co-members, is building up a reserve fund for the use of the society of which he is a member.

How do you think have the farmers been living in recent years?—They have been half starving and their physique is deteriorating.

Professor A. C. Sen Gupta: One of your suggestions is that the rate of interest allowed on postal savings bank deposits should be 6 per cent. You also say that the highest rate on loans to agriculturists should be 9 per cent. Do you think that people will be lending to the cultivator at 9 per cent while Government pays 6 per cent?—My recommendation is meant only for small investors and there is to be a progressive rate for larger investments. Moreover I recommend this for the propagation of a spirit of thrift and not only on economic grounds. Borrowers and investors are two different sets of people and I think both my recommendations may be worked together.

You say there are absolutely no facilities for the investment of the savings of the villagers. Some of them invest their savings in money-lending and some invest it in some other ways. Would you be prepared to qualify your statement?—I agree that there are some facilities, but they are inadequate.

You suggest that holdings of less than 4 acres should not be divided between the sons, but should be put to auction among the sons and the highest bidder should have it. Do you think that this would work with the present high rate of interest?—I think that in the long run the person who has the entire holding for himself will be benefited. Even at current rates of interest, it will be profitable on the whole.

Chairman: You say that agriculture is not a paying concern. Have you calculated the net profits of agriculture?—Yes. I have not submitted my figures. I have got about 800 acres of land in different rights in the Damoh district in the haveli tract. I do not think my profit is even six per cent on the value of my investments on them. I get all the work done by hired labour. My experience has been that the malguzar who does not cultivate himself gets only the seed capacity for all his trouble.

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Professor A. C. Sen Gupta: You recommend hand-spinning as one of the spare-time occupations for the cultivators. Is it based on sentiment or on economic grounds?—It is based on economic grounds.

Have you calculated how much could be earned per day?—In considering this we have to make a distinction between no occupation and some occupation. I do not say that hand-spinning by itself will make people wealthy; but when they have got nothing to do, they may have something to do with spinning in their hands.

Chairman: One witness stated before us that, if the cultivators exerted themselves, they would be able to eradicate the *kans*. Do you not think that the tenants would be better employed if they occupied themselves in improving their own holdings rather than in doing some other profession?—I do not think this would be possible or that they will be able to exterminate the *kans* with their own labour. Agriculturists have spare time only when their crops are standing and certainly they could not exterminate *kans* during this time.

Do you mean to say that the agricultural population is inadequate, having regard to the area of land which has to be cultivated?—No. For the extermination of the *kans* more men will be required than could be supplied by the family of the farmer. People could engage themselves in building field embankments: but this requires a lot of money.

Would you prefer then that they concentrate on the *charka* rather than attempt to improve their own agriculture?—I do not say so. It is a spare time activity. I do not agree that a good agriculturist has field work at all times of the year.

Professor A. C. Sen Gupta: Is it your opinion that industries that are based on unsound economic basis should not be promoted?—Yes.

Do you think that industries that cannot stand competition with machine-made goods are based on unsound economic basis?—Yes.

Do you think hand-spun yarn can compete with machine-made yarn?—This is entirely a different point. Every agriculturist requires clothings, and if he spun yarn for his own use, he need not go to the market and the question of competition does not arise.

Do you know that weavers do not want to weave hand-spun yarn?—Not that they do not want to weave. They want higher charges. It all depends upon choosing the way.

Do you think that Government should spend its money over an industry like this?—Yes.

You say it would be invariably found that instalments are allowed by money-lenders only in those cases where the sum due is composed of high amount of the interest and *barbit*. Do you know that there are deeds which are called *mahnkhats*?—No. At least they are not current in my part.

Do you agree that money-lenders think it risky to advance money to society members?—Yes, they think so.

Can you tell me the reason for that?—They think that it is a Government institution and it will have preference.

If I suggested to you that they might think that a co-operative society member is not only liable for his own debts, but also for others' debts, would you accept it as a reason for their unwillingness to advance money to society members?—No. I do not think so. I admit that is a valid reason for their unwillingness as it would involve greater risk, but money-lenders are not aware of it. They only believe that the loan of a society might have preference.

Chairman: I understand from Rao Bahadur Brahma that you are doing co-operative work in the Damoh district single handed. Is that so?—I do not think I can claim that credit for myself. There are some workers with me.

Are you not carrying the main burden?—I am the Secretary.

A complaint has been made about the inadequacy of honorary workers and their lack of spare time, and as a result supervision has been inadequate and at the time of making advances adequate enquiry is not always made into the financial position and paying capacity of the borrower. I understand a person was given a loan of Rs. 7,500 though his property was worth Rs. 2,000 only. Have such things occurred in the past for want of proper supervision?—Yes.

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The question with which we are faced today is how to extend the co-operative movement. Under the present conditions when the honorary workers have no time to deal with the amount of work which already exists and further extension of your activities would involve more work how do you propose to extend these activities?—Paid staff will have to be employed.

Would you object to assistance from revenue officers or would you prefer closer co-ordination between your department and the revenue department?—I want that there should be a hearty co-operation between the two without any predominance of one over the other.

It has been suggested to us that in the past Government has neglected their responsibilities in not taking sufficient share in the work of the co-operative credit movement and they have left this very important movement too much in the hands of non-official workers without giving them that help and advice which they ought to have given. Do you think this is correct?—Yes; I think that we have not received all the attention that we were entitled to.

What is the rate of interest which you are giving on deposits at present?—It varies from 4½ to 6 per cent.

Seth Narsinghdas Daga: The co-operative societies advance money on mortgages and when they advance money without any other security, there is the joint security. Is it not?—Yes.

Does it not follow that societies never advance money without some security unlike money-lenders who at times advance loans without any security?—Yes.

What is the rate of interest charged by societies?—12 per cent.

What is the rate of interest charged by sowkars on security?—They charge from 12 annas to Re. 1 per cent per month.

Though you realize that the credit facility of a cultivator will be increased by allowing an occupancy tenant absolute transfer rights, you do not favour granting of such rights. Is it not?—I do not favour, because I do not like the idea of a cultivator losing his land.

At the end of question 5 you have stated:—"On the other hand, he is to make greater efforts to get the best crop that what he would have done, if he were the sole master of his land, because he knows full well that if he produces less he will get a less share in the produce which may not suffice to keep him for the year." What do you mean by this? Do you mean that when and if he loses the land and gets it on lease, he works on it with greater zeal?—No. What I meant to show was that he does not get the full fruit of the labour he does on the land.

You advocate enacting a legislation for the control of money-lending. What lines would you suggest?

I have no definite suggestions to make.

Mr. P. D. Pundlik: Do you want any special kind of stamp for money-lending?—Yes. On the present stamp papers you might write an agreement, you might execute other forms of money agreements or you might have a bond. I recommend a special stamp just as we have one for hundis as it will facilitate annual calculation of indebtedness and will give you an idea of the transactions that have taken place.

You have criticised that the cheaper supply of money has been ruinous. Would you please explain that statement?—What I mean is that formerly in our market we did not have any financing agency. Subsequently a branch of the Imperial Bank was opened and money was made available at cheaper rate. The result was that many people taking advantage of this opportunity asked for advances from the bank and utilized the amount in Satta transactions, consequently suffering heavy losses. Although I do not want to blame the bank for it still the results were ruinous.

If they had no credit, how did the bank advance them?—They had good credit, they had houses, property, etc. But they could never have got so much cash had the bank not advanced them.

Do you mean to say they were afforded easy facilities of getting money?—Yes; and thereby they got indebted.

Chairman: Thank you.

MR. P. S. DHAGAT.

RAI SAHIB CHAINSUKH, Banker, Seoni.

Reply to the Questionnaire.

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

QUESTION 1.—(i) In this district the agriculturist obtains finance from Government and from co-operative banks and indigenous bankers for expenses during cultivation, for capital and for permanent improvements and for other needs such as failure of crop, etc. He is required to hypothecate his crop, cattle, house, etc.

(ii) The rate of interest charged by co-operative banks is 1 per cent. Government charges less, but has the advantage of recovering the loans by executive action and has not to pay stamp duties, court-fees, etc. The rate of interest of indigenous bankers for a substantial amount is 7 annas, 8 annas or 12 annas per cent on mortgages and on small amount it is Re. 1 or Re. 1-4-0 per cent while on very small amount taken on ordinary stamp or on instalment system it is Rs. 2 per cent. In villages petty bankers and Punjabis charge even a greater rate of interest. Grain advance is taken on the condition of its being repaid one and quarter or one and half times of the original. For the recovery of the amount there are many inconveniences and the bankers are required to incur much expenses. Those who cannot get loan obtain it on pawning their ornaments.

(iii) The condition of most of the agriculturists at present is such that they cannot obtain finance sufficient for agricultural purposes. They are thus unable to effect any improvements. They do not get enough seed and as such are unable to sow the whole field. Their condition therefore is going from bad to worse.

(iv) The time-limit of repayment of ordinary loans is up to the reaping of harvest while of large loans and of those taken on mortgages is fixed according to the convenience of the persons concerned.

(v) The condition of the agriculturists would improve if the Government were to advance sufficient amount as help to the cultivators who are financially very badly off; and at a low rate of interest and with a long term for repayment to the cultivators not so badly off.

(vi) There is no co-ordination among the various credit agencies, including the Government, on the contrary the co-operative banks circulate various ill reports against the indigenous bankers and thus the latter are losing the confidence of the public.

QUESTION 2.—(i) In this district every kind of produce is taken to a particular market and sold there. Sometimes the produce is sold at the house of the agriculturist. In my opinion there is no inconvenience or difficulty in marketing the produce and the present practice is satisfactory.

(ii) The Indian merchant has not the facilities which the foreign concerns have in trading with foreign countries. The Indian merchant is faced with many difficulties in regard to purchase of goods, capital required for it, transport of goods and its sale in foreign countries.

(iii) The indigenous bankers and co-operative banks afford enough facilities for internal remittance.

(iv) There is one defect in the present system. The banks and treasuries issue cheques and therefore the practice of issuing hundies or loan bonds by indigenous bankers has fallen so low that it is almost nil. It is therefore necessary that some such arrangements be made by which there would be no difficulty in the business transactions of the indigenous bankers and the banks.

(v) It is necessary to reduce the taxes on judgments and bills.

(vi) The practice of hundis is much in vogue here. It is usually sent to other parts (Bombay-Calcutta) as payment of the goods ordered.

QUESTION 3.—(i) In this district rice-producing land is sold at Rs. 15 to Rs. 30 per acre, white land producing wheat, etc., is sold at Rs. 25 to Rs. 40 per acre.

(ii) Land which is sold by private negotiations usually fetches a satisfactory price than that sold in auction as a result of non-payment of land revenue or a decree of civil court.

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QUESTION 4.—The following are the legal difficulties for selling or mortgaging land or malguzari :—

(a) Mourasi land cannot be sold or mortgaged.
 (b) For katai mourasi land, consent of the malguzar is required.
 (c) Malguzari *sir* land cannot be sold or mortgaged without the previous permission of Government.

(ii) There is no such bank or institution which would advance loans on such property. The indigenous bankers are very reluctant in advancing loans on such property as there are many legal difficulties in recovering the loans.

(iii) If institutions, in which the indigenous bankers have shares and control, are established, capital can be raised and they would be of much benefit to the public.

(iv) (a) It is no use making any improvements in the records maintained by the patwari with a view to avoid disputes pertaining to banks and others.

(b) Capital for such banks should be secured by means of deposits and form other institutions.

(c) The Government through its officials should have a hold to prevent the bank from carrying on such business by which it would incur a loss and thus entail loss to the Government.

(d) The practices prevalent among the bankers for raising the capital should be employed in raising the capital for the mortgage banks and the rate of interest should be such as would cover the cost of establishment.

QUESTION 5.—(i) Yes. In order to know what amount is required for the agriculturist as loan, it is necessary to estimate the existing indebtedness of the agricultural classes.

(ii) I am unable to give an estimate and the details of indebtedness.

(iii) Owing to loss of property due to indebtedness many have taken to labour, some have become copartners in cultivation, while others have taken to service, etc.

(iv) There is of course some difference between the conditions in irrigated tracts, the famine zone and the area not generally liable to famine.

QUESTION 6.—(i) There are no subsidiary industries allied to agriculture in this district worth mentioning nor are there any which could be done along with cultivation. Gur-making or gardening are no doubt practised but these are done by those whose financial condition is better.

(ii) The following are, in my opinion, the ways which an agriculturist should practice when he is free from agricultural activities.

(a) To transport goods on his carts by hire when his bullocks are in good condition. In some places this is still prevalent.

(b) To bring grass, fuel (fire wood), timber and bamboos from the jungles and sell them.

(iii) There are no facilities for obtaining loan required for the above purposes.

(iv) For such business presumably there is no source from which money could be got. People have not got money enough to advance for such purposes.

QUESTION 7.—(i) In this district there is no other bank except the co-operative bank and it has no concern with the indigenous bankers.

(ii) The co-operative banks, which are well managed and have the confidence of the public, have less difficulty in collecting capital, but even then they have some difficulty as the people do not place much confidence in such concerns.

(iii) The amount required for financing co-operative movement and which must at least be Rs. 10 lakhs can be arranged by making suitable changes in the rules governing the capital collected.

(iv) In order to encourage co-operative movement it is necessary that persons receiving interest or profits for co-operative societies should be free from income-tax.

(v) In my opinion there is no necessity in this province for giving licence to the money-lender as is done in other provinces. The facilities which the

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bank, and Government enjoys in respect of recovery of loan should be granted to the indigenous bankers. To make it satisfactory Government should place certain restrictions so that the facilities given may not be misused.

(vi) The Central Banks should just be well stabilized and these banks should then finance the village societies.

II.—Indigenous Banking.

QUESTION 1.—There is no indigenous bank in this district. Excepting the co-operative bank and Government taccavi, the whole banking business is done by the indigenous bankers.

QUESTION 2.—For agricultural and other business purposes moderate financial assistance is afforded by the indigenous bankers. There is no source from which any special business could receive financial assistance.

QUESTION 3.—There is no indigenous bank in this district.

QUESTION 4.—Ditto.

QUESTION 5.—The banker advances loan according to the status of the agriculturist; ordinary loan on a stamp on an instalment basis (monthly repayment) and on mortgage of property or on pawning ornaments.

(a) In order to meet their demands the bankers obtain loan from other bankers on interest. Some bankers receive deposits the rate of which is usually 8 annas per cent.

(b) The loan is usually given in cash, and advancing loan in kind is not usually enforced unless the client requires it so.

(c) The practice of arranging to sell the crops and thus recovering the amount is not prevalent in this district.

QUESTION 6.—The rate of interest at which the agriculturist obtains finance varies from Re. 1 to Rs. 2 per cent. The grain advances are paid back one and half times of the original. In some places it may be more or less.

(a) The only way of reducing the rate of interest or the excess grain is to improve the condition of the agriculturist, so that he may be able to repay his debt in time and may also be able to meet his ordinary expenses.

QUESTION 7.—Only those persons go against the indigenous bankers—

(a) who have taken a loan, but have not repaid and whose property is to be sold by auction as a result of the civil suit filed against them for the repayment of the loan with expenses, or

(b) Who took loan on the mortgage of their property have not even paid the interest, owing to the delay allowed to occur are now unable to repay and whose property has gone to the bankers or is being auctioned.

(c) There are also others who turn against bankers because the latter enforce more hardships on their clients, but such bankers are very few. Usually bankers having small capital do so.

(d) The indigenous banker is not protected by any legal facilities and as such the agriculturist does not get loan at the proper time. He has to pay a higher rate of interest, the expenses of stamp, registration, etc., are also imposed on him.

QUESTION 8.—So long as suitable changes are not made in the rules of the co-operative banks [as given in answer to question 7-(iii)] no useful purpose would be served by them.

(a) In order to improve indigenous banking concerns, which would command the confidence of the public, they should be established on the lines of the co-operative banks.

(b) These concerns should enjoy the same facilities which Government and co-operative bank have in respect of banking.

QUESTION 9.—It is not possible to estimate the profits. They always vary according to the capital, manner of banking and cost of management of individual banker.

QUESTION 10.—There is no indigenous bank here and the indigenous bankers are not able to meet all the requirements of the agriculturist.

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QUESTION 11.—In my opinion the co-operation of the indigenous bank can be with the kind of bank which has been referred to in answer to question 8.

(a) Such companies (banks) would only command the confidence of the indigenous bankers when the management of such a bank is in the hands of rich bankers and is controlled by a responsible person.

QUESTION 12.—Very few indigenous bankers have money which they have not been able to utilize.

III.—Investment habit and attraction of capital.

QUESTION 1.—The existing banking resources in the province are the advancing and taking of loans, by individuals for their own use, trading purposes, for the purchase of necessary articles and for expenses, etc.

There is no institution which encourages the habit of saving money.

(1) Except the postal savings bank and the Central Bank there is no other institutions where savings could be deposited and interest obtained.

(2) There are the postal cash certificates working satisfactorily and are suitable for Government servants and other middle class persons; but it is necessary that the rate of interest should be at least 8 annas per cent.

(3) As the people have no money, it is not necessary. It is, however, noticed that some cultivators or malguzars advance loans to other cultivators or malguzars in some places.

QUESTION 4.—The stamp duty imposed on cheques and hundis has been removed and it should (as a matter of fact) be so. It would be convenient if officials of the Government and banks are given their salaries by cheques.

QUESTION 5.—This is not so. Those who have money, always utilize it and those who have money remaining idle bring it in use. People have now learnt the value of investing their savings.

There is no branch of the Imperial Bank here nor has it in any way given facilities for trade in this district.

Answers to supplementary questions.

QUESTION 1.—The manner in which the export and import are being carried out is satisfactory and is convenient both to the banks and indigenous bankers.

(a) There are many facilities for export of indigenous produce. The freight over railways and ships is moderate.

(b) There is some inconvenience in the import of foreign produce. The railways freight of the imported goods from the port godowns to different cities is higher than that of the exported goods.

QUESTION 2.—The exported goods fetch less value owing to the rate of exchange, i.e., worth Rs. 15 fetch only Rs. 13-5-4.

(b) The customs duty in imported goods is higher and as such the prices of all the goods go up, for example, the duty on watches is Rs. 30 per cent. It would be better if the rate of exchange is at par.

QUESTION 3.—India is a country where the time of production of various raw materials are fixed by nature, for example wheat, various articles are marketed at fixed times. Wheat, alsii, gram, masur, castor seed, etc., are produced in February and from February to June they all come to the market for sale. Urad, mung, til, jaggi, harra, gulli, sann, cotton, etc., are produced between October and December and they are brought to the market for sale during that period.

The time of reaping the harvest is also the time for remitting land revenue, for repayment of loans of the banks and bankers for making household arrangements for the four months of rainy season and for marriages, etc. The agriculturist is therefore forced to sell his produce at that particular period and therefore capitalists and foreign companies can purchase it, whole sale at cheaper rates. The agriculturist being indebted does not get good price for his produce. There is no way out of this unless the agriculturists are afforded every facility.

The land revenue is very heavy, it should be reduced. Loans without interest should be advanced for the improvement of land.

RAJ SARIK CHAINSUKH.

RAI BAHADUR PURAN SAO, Banker, Seoni.

Replies to the Questionnaire.

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

QUESTION 1.—The agriculturists in this district obtain finance for expenses during cultivation for seeds and purchase of bullocks, for capital and for permanent improvements, and for failure of crops from the Government taccavi, co-operative banks and indigenous bankers, for which standing crops, houses, cattle, etc., are offered as surety.

The co-operative bank's rate of interest is Re. 1 per cent per mensem, while that on the taccavi loans is lesser. But they have been given full legal facilities of recovery. They are exempt from court-fee stamps. The indigenous bankers' rates of interest on larger amounts is 6 annas or 8 annas or 12 annas per cent. On money bonds and smaller amounts the rate of interest is Re. 1 or Re. 1-4-0 while on miscellaneous amounts it is up to Rs. 2 per cent. These loans are obtained on simple bonds or receipts. In villages the professional money-lenders and others such as Punjabis, etc., charge even a higher rate than this. Grain advances are taken on condition of their return with *sawai* or *dedhi*, i.e., 25 per cent or 50 per cent.

For recoveries of loans of all these bankers there are many legal difficulties and great burden of expenditure. Some people who cannot get loans in cash have to obtain them on the mortgage of their ornaments.

Condition of some agriculturists is such at present that they cannot obtain loans, even by the means described above, to meet expenses of cultivation. Whatever little they get it is insufficient for improving the land and for want of seed in sufficient quantity, their full land cannot be brought under cultivation. Day by day produce of agriculture being low, condition of the agriculturists is becoming worse.

The period of repayment of ordinary loans is up to the next crops while that of bigger terms are settled according to conveniences.

The Government should help agriculturists who are in a fallen condition by giving them sufficient money. Similarly, ordinary agriculturists should be given long-term loans at a cheaper rate of interest, according to their requirements. This alone can remove the difficulty of the agriculturists. The bankers should likewise be given the same facilities as are enjoyed by the Government and the bankers in respect of advancing of loans and recoveries thereof. This would also help in improving the situation to a certain extent.

There is no co-ordination among various credit agencies including Government. On the contrary the co-operative societies are trying to lower indigenous bankers in the estimation of the people and they are ill spoken of rightly or wrongly.

QUESTION 2.—The present method of marketing principal crops in the district is that all crops are sold in some particular markets and sometimes they are sold at houses of agriculturists as well. In my opinion no agriculturist has to experience any difficulty in respect of sale of his crops. The existing method is quite alright.

In respect of foreign trade, merchants at all places have no such facilities as are enjoyed by bigged foreign companies. There are many difficulties in respect of necessary capital for the purchase of goods, the transport of the goods and the sale thereof in foreign countries.

There are enough facilities for internal remittances through the banks and bankers.

The defect in the present system, however, is that owing to cheques system prevalent in the banks and treasuries the bundi and stamp business of the bankers is practically nothing. It is therefore necessary to devise some method so that business of the banks and bankers may not be affected.

For the more extensive use of bills it is necessary that the duty thereon should be reduced.

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The hundis at sight are more in vogue in these parts. They are issued on outside places such as Bombay or Calcutta at the time of ordering goods and the payment of their cost.

QUESTION 3.—In this district the value of land per acre for paddy producing land and rabi land is different.

The value of land in purchase by private negotiation is better as compared to the land in Government auction for non-payment of revenue or in the event of sale by court decree.

QUESTION 4.—There are following legal impediments to mortgage or sale of land :—

- (a) Occupancy land cannot be mortgaged.
- (b) Absolute-occupancy land can be mortgaged subject to malguzar's consent.
- (c) The *sir* land of malguzari cannot be sold or mortgaged without sanction and the *khudhasht* land cannot be transferred.

There are no land mortgage banks or agricultural banks or any other banks for provision of loans according to requirements. Owing to many legal difficulties in respect of recovery of their debts indigenous bankers hesitate to advance long-term credit.

The absence of any such institution can be overcome by establishment of some reliable institutions by the co-operation of the indigenous bankers, where they will have full authority and control in their management. This would bring in the necessary capital and afford benefit to all.

(a) To find out incumbrances of banks and others and to avoid other disputes amendments in Patwari papers will be of no use. On the contrary they would increase the disputes. For this purpose it is necessary to establish some responsible institution or make any other arrangement.

(b) Method of recovery of loans given by land mortgage banks from attached property should be simple and less expensive. Such rules should be framed in this connection that none is put to any unnecessary trouble. Working capital of the proposed mortgage banks may be derived from deposits of funds from other institutions but Government security is essential.

To secure Government against unnecessary loss, an officer of the Government should be appointed to watch and see that the bank does not undertake any such business which may in any way bring any loss on itself. Through officers, Government should have full powers in this respect. Agricultural mortgage banks should raise their capital by employing all methods of other banks. They should lend money to agriculturists by charging only such rate of interest as would cover their expenses.

It should, however, be borne in mind that there can be no success in raising capital without Government security. On such security enough money can be raised even for long-terms.

QUESTION 5.—Yes, it is necessary to estimate existing indebtedness of agricultural classes in order to devise measures for increase of credit facilities to them. I am, however, unable to give any such estimate of the details thereof. Having lost their property in debt several agriculturists have become labourers, some are passing their lives as sub-tenants and servants.

There is always difference in tracts which are irrigated where there is always famine and in tracts which are not ordinarily liable to famine. In tracts which are not liable to famine condition of agriculturists is satisfactory and in places affected with famine they are always hard up and they are in bad plight.

If this process is going on, it will certainly take away from the actual cultivator the incentive to produce more and in an efficient manner.

QUESTION 6.—In this district there are no industries allied or supplemental to agriculture, worth mentioning. In some places gur-making or garden-producing is necessary, but they can be done by such persons only as are financially better off. In my opinion the following occupations would give employment to farmers during their spare time :—

- (a) Plying bullock-carts on hire for transport of goods when the bullocks can be easily arranged. (This is going on in some places even now.)
- (b) Bringing fodder, fuel and timber for sale from jungles.

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There are no credit facilities existing for such enterprises. There is no method that suggests itself of securing working capital for such enterprises. The people have not got enough money to give for these purposes.

QUESTION 7.—In this district there is no other bank except the co-operative bank which has no concern with the indigenous banks. In places where there are other banks their relations with indigenous banks are only of selling and purchasing hundis. There is not much benefit derived through banks. In this district the indigenous banks and other banks have no concern whatsoever with each other.

Such co-operative societies whose work is going on properly and who have gained confidence of people find little or no difficulty in collecting capital. In the absence of any such confidence, however, they have to undergo some difficulty in this respect.

If the Government were to offer security all difficulties in the matter of finance would disappear.

It is only after modifying the rules that the capital required to help the co-operative bank which may be estimated about 10 lakhs for this district can be raised.

At present Co-operative Societies advance Loans to ten or more individuals on their joint responsibility. The result is that if any member becomes insolvent, the responsibility of payment of his debts lies on the remaining other members and consequently all of them who are well-to-do, otherwise become bankrupt and are ruined.

It is for this reason that the co-operative movement has not succeeded in meeting the financial needs of the agriculturists as it ought to. It is therefore necessary to devise some means which will be beneficial both to banks and the agriculturists.

In order to stimulate growth in the co-operative movement it is necessary to extend special exemption from income-tax to those who get interest and profit through it.

In my opinion there is no need in this province for enactment of any legislation in order to make provision for licensing money-lenders, only such facilities as are enjoyed by banks in regard to recovery of their dues and those used by Government should be given to money-lenders. In order that their work may go on properly and they may not abuse those facilities necessary restrictions may, however, be imposed.

The financing of primary societies should be done by Central Banks only when their condition is improved and their working capital is increased in proportion to such requirements.

II.—Indigenous Banking.

QUESTION 1.—There are no indigenous banks in this district. Excepting the co-operative bank and the Government taccavi all kinds of banking business are transacted by firms of indigenous bankers.

QUESTION 2.—The extent of indigenous bankers' assistance in financing agriculture, trade and industry is limited to a certain extent. There are no facilities for assistance for special trade, etc., in this district.

QUESTIONS 3 AND 4.—There are no indigenous banks in this district.

QUESTION 5.—The indigenous bankers allow cash credit to agriculturists according to their status by means of bonds or on mortgage of their property or ornaments.

The indigenous bankers provide themselves with funds to meet their demands by means of taking loans on interest. Some of them receive deposits also, the interest allowed on them being 8 annas per cent generally.

Loans are generally given in cash and not pressed in kind. If the borrower so desires they are given in kind also. The method of selling produce through their own agency for recovery of debts is not prevalent in this district.

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QUESTION 6.—The rates of interest on cash are from Re. 1 to Rs. 2 per cent per month and on grain 50 per cent profit or a little more or less is charged.

The only method to reduce the rate of interest and grain *barhi* is to improve general condition of agriculturists so that they may after meeting their ordinary expenses be able to pay regularly their debt.

As long as agricultural requirements such as bullocks, seeds and necessary expenses for cultivation are not fulfilled the reduction of interest or *barhi* would not afford the agricultural community any material benefit.

QUESTION 7.—The prejudice against indigenous bankers comes from—

(a) Persons who have taken loans, but did not repay it. The rate of interest be high and including cost of suit the sum swelled and after attachment property be auctioned.

(b) Persons who after mortgaging their property did not pay even the interest on it. After some time the amount increased and they become unable to repay the loans, their property therefore either passed into the hands of creditors or was auctioned through a civil court decree.

(c) Sometimes this prejudice is against the bankers who are unnecessarily hard on their clients and who trouble them in all possible ways. But such bankers are very few and these acts are confined generally to the bankers who are provided with insufficient capital.

(d) Bankers are not protected in law and hence agriculturists do not get loans in time and have to pay high rate of interest. At the time of taking loans expenses of stamps, registration, etc., have to be incurred and when there are suits and attachments for failure to repay loans and the expenses in small suits are more than the original amount of the loan. It is therefore necessary that the same legal facilities be extended to these bankers as are enjoyed by the Government and the banks in respect of recoveries of their dues. This would remove the existing prejudice against the bankers.

QUESTION 8.—There are no means by which such bank could be made more serviceable to the community except by making certain improvements in the rules of the co-operative banks as suggested in reply to question 7 (3) above.

In order to improve and consolidate the indigenous banking system in India it is necessary to start reliable banking companies with all possible facilities given to them. These companies should be given the same facilities for recovery as are given to Government taccavi and the banking transactions.

Generally the system of accounts keeping is through the account books and stamps and the accounts are open for inspection or verification by customers.

There will be an objection to indigenous bankers if defects in their dealings are removed, provided that there is no loss to them.

QUESTION 9.—Profits to indigenous banks or bankers on their capital depends on condition of their business and the expenses thereon. They cannot be estimated in any uniform manner.

QUESTION 10.—There is no indigenous bank in this district and the indigenous bankers are not able to meet all demands for accommodation.

QUESTION 11.—In my opinion the indigenous banking system can be linked with the central money market and provincial capitals in the manner as suggested in reply to question 8.

I suggest establishment of a branch of a joint stock bank or a Central Reserve Bank. Such a bank could inspire confidence of the indigenous bankers if its working is done in a reliable manner by responsible rich bankers.

QUESTION 12.—Very few of the indigenous bankers have any large amount of money which does not find employment throughout the year. In order that these funds may find remunerative employment in the districts for the benefit of the district it is necessary to establish companies or banks, indigenous lending or borrowing.

RAI BAHADUR PURAN SAO,

III.—Investment habit and attraction for capital.

There are no means or institutions for encouraging savings and investment habit except the post office or the Central Bank who pay interest only.

QUESTION 2.—The present method of postal cash certificates is alright for people in service or the ordinary well-to-do men, but it is necessary that the rate of interest thereon should be 8 annas per cent at least.

QUESTION 3.—There is no necessity of an estimate of tendency towards hoarding as people have no money. In some places farmers or malguzars lend money to fellow-agriculturists.

QUESTION 4.—Abolition of stamp duty on cheques and hundis has facilitated growth of cheque habit. Payment to Government servants and bank employees by cheques will further promote the cheque habit.

QUESTION 5.—I do not support the view that the banking and investment habit in India is of a very slow growth. People who have any money use it in business and those who have surplus money also do the same.

There is no branch of Imperial Bank of India in this district nor has it facilitated the business here.

Supplementary questions.

QUESTION 1.—The present method of import and export trade is alright. Both the banks and indigenous bankers give financial assistance in them.

(a) There are greater facilities for export, the rates of railway fare and voyage fare being reasonable.

(b) In the import of articles there are some difficulties, i.e., the railway fare from the seaports from which goods are brought to the big or small towns is higher than at the time of their export.

QUESTION 2.—For the goods sent out of the country the prices received are less owing to the rate of exchange which brings Rs. 13-5-4 for Rs. 15.

The prices of articles imported in the country are dear instead of being cheap owing to the high customs duty charged, viz., the customs duty on walchen which is 30 per cent.

By fixing the rate of exchange properly the business of the country would be facilitated.

QUESTION 4.—The peculiarity of Indian condition is that all products depend on nature. All things are produced in their respective periods only and are brought to markets during the periods and in large quantities. For instance, wheat, alsi, gram, etc., are produced in the month of February and are brought to markets in large quantity. Urad, mung, tilli, gin-cotton, etc., are produced in the month of October and are brought to markets in large quantities from October to December. The time of marketing harvest coincides with the times for payment of land revenue, repayment of debts of bankers, making provision for rains for household expenses and for expenses on account of marriages, etc. The agriculturists have therefore to sell their produce out of compulsion and foreign companies finding that grain can be had cheap and in large quantity purchase it wholesale. Being indebted, the agriculturists cannot get good price for their goods for which there is no remedy unless they are afforded all facilities.

Rent is heavy on their lands. It should be reduced. To improve land loans should be advanced without interest.

**RAI SAHIB SETH CHAINSUKH and RAI BAHADUR SETH
PURAN SAO, Seoni.**

Oral evidence.

Seoni, the 24th March 1930.

Chairman: A copy of the written statement that you will to place before the members of the Committee has been circulated to all the members, and, before we proceed to ask you any other questions, is there any other statement which you should like to add to this?—No.

You have stated in your written reply that the cultivators at present cannot obtain finance sufficient for agricultural purposes. What, in your opinion, is the reason for this?—At present cultivators have not got sufficient assets from which there is hope of recovery and their credit is not sufficiently good to make it possible for money-lenders to advance them the full amount of money they require.

What is the remedy for this?—The remedy is to endeavour to improve the economic condition of the agriculturists.

It has been stated before us that those persons who have the rights of transfer in land are able to obtain more money at a lower rate of interest than occupancy tenants. What is your view on this?—This is quite correct: but unless something is done to improve the economic condition of the agriculturists, the mere granting of the rights of transfer to occupancy tenants will simply result in their eventually losing their lands.

You have stated that the condition of the agriculturists would be improved, if Government were to give them sufficient loans according to their requirements and particularly to those who are very badly off; do you mean to say that the Government should advance money to people to whom the private money-lender is afraid to lend?—Government have special means for recovery of their loans, and there is no likelihood of taccavi being lost, if it is so advanced.

You have stated that the co-operative banks have done much harm to indigenous bankers. Would you explain this?—The co-operative banks have done much harm by spreading false rumours about indigenous money-lenders and telling the people that the sowkar is simply waiting to entangle and to defraud the tenants.

Seth Chainsukh says that he himself is the Vice-Chairman of the Co-operative Credit Bank at Seoni and that he has personal knowledge of this. He says that they have magic lanterns and they give pictures which are derogatory to the indigenous money-lenders and make their lives appear to be evil.

You will be prepared to admit that agriculture in India is not a very profitable profession, that is to say, that it does not give a very high per cent profit after deducting the costs of maintenance and the capital expended therein. What would you consider to be the ordinary percentage return from year to year on capital invested in agriculture?—The ordinary cultivator manages to maintain himself in ordinary circumstances: but in my opinion, a mahajan or money-lender, who purchases land, does not make any profit out of it at all.

Do you think then that agriculture is sufficiently remunerative to make it possible to carry it on with borrowed capital at 25 per cent interest?—No, certainly not.

Do you therefore agree that until the common rates of interest can be reduced, there is little hope of helping the agriculturists financially?—Yes, I agree.

In Seoni town, apart from the handling of grain, money-lending and shop-keeping, is there any other industry or trade to provide employment to unskilled labour?—No. Wages here are very low, because there is no means of employment for unskilled labour.

How do you think that Seoni town can be improved so that its industry and wealth may be increased?—This matter should be enquired into and some form of employment suitable for local needs could be discovered. Up to now nobody has made any enquiry from us of this kind: but if the Government desire to help and will take this matter up, the people of Seoni will give all the assistance in their power and are willing to support some new industry.

RAI SAHIB CHAINSUKH AND RAI BAHADUR PURAN SAO.

Replying to Seth Narsinghdas Daga, the witnesses said: In our written reply, when we state that some small money-lenders are given to malpractices, we refer to the Punjabi or Kabuli and other petty money-lenders who are not real indigenous bankers.

Rai Bahadur Puran Sao replied, to a question by the Chairman, that rents are at present too high and should be reduced by 25 per cent.

Rao Bahadur M. G. Deshpande: You have stated that co-operative banks preach against the money-lenders. You are Vice-President of the Seoni Central Bank. Have you brought this to the notice of the bank?—The people who preach against the Banias are not the local people belonging to the Central Bank, but are people belonging to the institute who come from outside. I know that our bank also pays contribution to the institute. I have not also brought this to the notice of the institute.

Replying further, the witnesses said: Those cultivators who sell their commodities in the villages get less price than those who bring their commodities to the market, though they have to pay so many sundry charges in the market.

Do you know that occupancy tenants have no rights of transfer?—Yes.

Are you in favour of granting rights of transfer to occupancy tenants?—I agree that the credit of the occupancy tenants would be improved: but unless properly utilized, they may lose their land.

Replying to the Chairman, the witnesses said: There has been a slight increase in fraudulent insolvency proceedings by persons who become insolvents in order to avoid paying their legitimate debts.

Rai Bahadur Puran Sao replied, under present circumstances, money-lenders have to undergo a great deal of loss and much difficulty in law courts. It takes long to get a decision and very often the full amount is not decreed. In addition they have to spend a lot of money over executions and in the end very often they do not recover their money in full. In the case of minors and in questions of Hindu and Muhammadan Law, various pleas are raised later on and sometimes minors later on file suits to have a decree set aside on the ground that the debt incurred was not for the benefit of the property. I have just lost two villages after 30 years through a decree of this kind. These I obtained on a foreclosure decree for payment of debt and I have lost Ra. 50,000 on this account. My usual rate of interest is 6 to 9 per cent and I only lend money to solvent and selected clients. I make up my account at Diwali every year and start my account for the next year and probably in one or two cases only I have not obtained my amounts back in full during the last 25 years, because I only deal with persons of good moral and material credit. Others who lend money at 18 and 24 per cent to persons of inferior credit lose a lot of their money, because they take unnecessary risks. The crop outturn is on the decrease and dishonesty is on the increase and nowadays it is very difficult to recover money. People eat and get themselves married and it is very difficult for the Bania to get anything. Government, however, have ample resources and they get their taccavi advances back.

As regards Law's Delays, the witness said, that the practice of sending execution proceedings to revenue officers, has been very injurious to agricultural credit. Very often a number of years are spent in recovering debts and this has done much more harm than good to the finances of the country. The expenses of litigation have very much increased and it costs as much for a small sum as for a large one. We want greater facilities for making our recoveries. Now-adays cultivators and tenants have become much more independent and intelligent than before and, without the assistance of Government and of law courts, it is very difficult for us to recover our dues. In a good year about five lakhs of rupees worth of grain is exported from Seoni ganj. There is also some export from Palari and Keolari stations. In addition about Ra. 3 lakhs worth of stick lac is also exported. The imports which are sold in the district are of less value than the exports and the balance of trade is in favour of Seoni. A certain amount of money is available from the import traders for the discounting of hundis. But sometimes cash has to be brought from Jubbulpore and Nagpur for financing the grain operations. There is only one person here, Seth Puranchand, whose hundis are discounted by the Imperial Bank of India, Jubbulpore. There is no business in hundis here. The supply bills which are obtained from the treasury are sufficient for our needs. People in this town are not in favour of forming a joint stock bank. They prefer to do their money-lending business independently.

Chairman: Thank you.

RAI SAHIB CHAINSUKH AND RAI BAHADUR PURAN SAO.

(c) EVIDENCE OF WITNESSES WHO DID NOT FURNISH WRITTEN STATEMENT BUT WHO WERE ORALLY EXAMINED.

Mr. E. A. MACNEE, I.E.S., Principal, Spence Training College, Jubbulpore.

Oral Evidence.

Jubbulpore, the 18th March 1930.

Chairman: Were you officiating as Director of Public Instruction for a considerable time?—Yes.

I believe you have also worked as Inspector of Schools for a long time?—Yes. I have worked as Inspector of Schools in Berar, Jubbulpore and Nerbudda Circles.

You have considerable personal experience of vernacular education?—Yes.

You are at present Principal of the Training College?—Yes.

We understand that you went to the Punjab to study the system of Agricultural education there?—I went to the Punjab with Mr. Allan to inspect and report on Agricultural education in the Punjab and also on the adult schools there.

Did you find anything there of importance?—I was struck by the co-ordination which existed among what are called the beneficent departments. This is the name used there for the Departments of Education, Agriculture, Public Health, Veterinary and Co-operative Credit, etc. There has been definite attempt there to co-ordinate the activities of all these different departments.

What is the agency of co-ordination?—They have in each district a Rural Community Council and for the whole province they have a Rural Community Board. On the Rural Community Board there are the Director of Public Health, Director of Public Instruction, the Director of Agriculture and other officials, together with certain non-officials, and in the Rural Community Councils in each district there is the Deputy Commissioner and the senior officers of the various beneficent departments, together with certain non-officials. The Government give about one lakh to the Board for propaganda purposes and about Rs. 10,000 to each Community Council and the Board and the councils decide the objects on which the money is to be spent. In this province there is very little co-ordination between the various departments. In fact, nobody knows what other departments are doing. As far as the Education Department is concerned, we do not know what the Agriculture Department is doing or what the Co-operative Department is going to do, etc., etc.

Do you think that anything has been achieved so far by these Community Councils and Boards?—Yes, and I think that some attempt at co-operation should be made in this province. There is dissipation of energy at present.

As regards Vernacular education, one view has been expressed to us, with which I do not think we agree, that we should give agricultural training along with primary education from the beginning to the end. Do you think it will be of any use to attempt anything with the small children?—No. The Royal Commission on Agriculture has reported that it is quite useless to teach primary school boys anything about agriculture or even gardening. In the middle schools, it is possible. I think the agricultural training in middle schools in the Punjab is successful: but it does not follow that it would be successful in this province where conditions are very different. In the Punjab, there is an easily worked soil, water is easily obtainable from shallow wells or canals and boys have better physique to handle a pair of bullocks whereas our middle school boys cannot do so. A scheme will, I understand, be put into operation next year to train a certain number of village school masters in agriculture. At present we do teach gardening in Normal Schools. In every Normal School we have trained agricultural teachers and we have a plot cultivated by pupils and a combined plot for demonstration. In Jubbulpore, wheat is grown and in Berar cotton is grown.

The principal complaint which has been made to us is that boys at present are spoiled by education. One witness said that the indebtedness of the country was due to the boys' education and that the only result of education was that the boys refused to do agricultural work and were fond of cinema shows, drinking

MR. E. A. MACNEE.

tea and smoking cigarettes, etc., and had a distaste for agricultural pursuits. It is also complained that no conscientious attempt has been made to give an agricultural bias to rural education?—That is a complaint in every country. There is a tendency for educated boys to give up their rural occupations and drift to the towns. I think it is unfortunate that our Normal Schools should have been situated in towns, while they ought to have been situated in rural areas. It is a fact that normal school boys, when brought to Jubbulpore, attend cinema shows, etc. It could have been avoided if the Normal Schools had been located in rural areas like Sihora rather than in Jubbulpore. In the Punjab, Normal Schools are in rural areas. I did make a proposal for moving the Normal School at Nagpur to a rural area. For some reason or other, the proposal was not approved of. The Normal School teachers themselves were against it, because their sons would not receive secondary education in rural areas. The teachers of Normal Schools come from villages, and often get their first taste for urban life when they come to the Normal Schools.

Do you think that anything can be done in the ordinary Readers for stressing the dignity of labour, agriculture, etc.?—In the General Information Readers, there is a good deal about agriculture.

Is it anywhere stressed that the agriculture is a better profession than others?—I do not think this idea is stressed. It should be possible to make these alterations.

As regards this thrift habit it has been said that the need for inculcating thrift from the earliest age has been lost sight of by the Education Department in drawing up their curriculum?—I do not think that is quite accurate, because we have lessons on thrift and banks in the General Information Readers. In the General Information Reader for class 4, there is a lesson on the "Co-operative Bank" and on banks generally.

Is there any story which urges on the people the evils of hoarding gold and silver and of extravagance and that it is the duty of the cultivator to put something by in a good year for the bad year?—These are not in the Readers. In the syllabus for middle school, class 7, for civics, the encouragement of thrift is one of the seven items. I think when the Readers are next revised, some lesson on these lines might be included. I would like to explain one thing. In the Primary classes there are two Readers. The ordinary Readers are intended to create a taste for reading and consequently no instructive or normal matter enters into these lessons. The General Information Readers, which are supplementary Readers, contain lessons on co-operative credit, hygiene, agriculture, etc. This principle was adopted when the present Readers were first of all drawn up, because it was definitely thought that it was a bad thing to fill the Readers with moral and edifying subjects, as they would be uninteresting and the boys would not like them.

Has any attempt been made to make the boy have a continued taste for reading after he has left school?—There are village libraries now.

Rao Bahadur K. V. Brahma, C.I.E.: You have said that it is not possible to inculcate the dignity of labour or the evils of town habits in the primary course: but to avoid this objection against education do you think it is possible to induce village teachers to take the boys to the fields themselves on a certain day, particularly boys of the fourth class, up to 10 or 12 years of age the teachers doing some kind of agricultural operations, not with the intention of agriculture itself, but merely to inculcate the idea that it is not beneath the dignity of a person to pursue those operations and to encourage this habit?—I do not think all village teachers will be competent to show the boys much of value.

Is it not possible in Berar to obtain a field from somebody where the teacher should take his pupils and spend an hour in the fields so as to make the boys feel that agriculture is not thought beneath the dignity of every person and that education does not look down upon agriculture?—It will be a very good thing, particularly if the co-operation of some neighbouring cultivator could be enlisted. But I do not quite visualize how this could work. I do not suppose sufficient work could be found throughout the year. There should be something useful to do in the fields. I think that weeding of cotton might provide some work and the boys may be asked to do this in turns.

MR. E. MACNEZ.

In England and in other Western countries there are savings banks or thrift associations started in schools and the teachers emphasize this habit by inducing the boys and their parents to hold some money in the school savings banks or in a bank approved by the school?—I believe so: but I have no personal experience. This could be done here and it would be a good thing.

Chairman: It has been alleged by many people that up to now Government provides no form of Commercial Education for the money-lending and trading classes. No institution in this province exists for the teaching of modern methods of commerce and finance. It is also suggested that, after the primary classes, there should be a certain number of commercial schools for teaching commerce, modern systems of accounts and banking, and one of the Agents of the Imperial Bank of India said that he thought there should be one such institution in every district headquarters. What is your opinion on this?—When acting as Director of Public Instruction, I worked out a scheme for introducing Commerce as an optional subject in a certain number of Government High Schools experimentally. This will come into force, I think, next year.

Professor A. C. Sen Gupta: You say that Civics is one of the subjects for class 7. Is it a compulsory subject?—Yes, for the middle school classes. It is taught both in Vernacular and in Anglo-Vernacular schools.

As regards introducing Commerce in the High School stage, is it going to be started in certain High Schools?—If the scheme has been passed by the Legislative Council, it will be introduced, I believe, in class 9. The High School Board introduced a syllabus for Commerce some years ago. As the Government did not appoint Commercial Teachers, it has so far been a dead letter. The scheme will be put into force in July, I think.

Rao Bahadur K. V. Brahma, C.I.E.: What do you think of employing the teachers and the students in a thrift campaign in the village, for instance, in inducing the villagers to buy postal cash certificates rather than invest money in gold and silver, and regarding the teachers who do it on a small scale?—I am not quite sure whether teachers should be employed for all kinds of work. Some of them are in charge of post offices and cattle pounds. If they are given too much extra work to do, they may possibly devote their attention to this extra work and neglect their legitimate work. There is a limit to the amount of extra work the teachers can do. I quite agree that the village schoolmaster is the most important figure in the village. But I utter a note of warning against burdening him with too much work.

Chairman: Thank you.

SETH DEBI PRASHAD, Banker and Merchant, Seoni.**Oral Evidence.**

Seoni, the 24th March, 1930.

I do 3 or 4 lakhs of rupees stick-lac business in Seoni. Previously, I was an Honorary Magistrate, but resigned. I have about 2 lakhs of rupees money-lending in addition to the lac business. I still have a lease for lac in the Court of Wards estate for Rs. 11,000 per annum. I also took a contract for lac in Rai Sahib Dadu Dwarkanath Singh's 96 villages. About 3 or 4 lakhs of rupees worth of shell-lac go from this district. We have to send lac to Mirzapur and we are not paid for our consignments until our lac reaches there. This is very inconvenient. From Mirzapur, we get money by hundi or by cheque. The money of these hundis and cheques is obtained from Nagpur and Jubbulpore. A certain number of hundis is discounted here by the import traders. If some kind of bank was opened here for financing this business, it would be a great convenience. In my money-lending business I do not charge more than 6 to 9 per cent. I only advance large sums and do not do petty money-lending. In some few cases I lend at 18 and 24 per cent. The average profit of money-lenders which charge 18 to 24 per cent after deducting all bad debts and the costs is not more than 12 per cent. I am in favour of any kind of Government bank. I think the land mortgage bank is also a good thing and I will be prepared to put some money in this if it is opened.

SETH MANEKCHAND, Banker and Merchant, Seoni.

Oral Evidence.

Seoni, the 24th March 1930.

I am a trader in gold and silver and do money-lending for 2 or 3 lakhs of rupees. I sell about one lakh worth of silver. In times of good crop, cultivators buy gold and silver and when crops are poor they pledge these or sell them. In an ordinary year about 4 or 5 lakhs of rupees silver and gold is imported into Seoni for sale to cultivators. Rs. 15,000 or Rs. 20,000 worth of gold also comes to me for being sold. This buying of gold and silver by tenants is, according to them, the best way of putting by a reserve capital for bad times. I am very doubtful whether the people of India are likely to change their habit of buying gold and silver and to adopt the habit of depositing money in the savings bank.

Seth Laxmichand and Seth Manekchand stated: We are of the opinion that it would be most beneficial if classes in modern banking and commerce were opened as a voluntary subject in the Anglo-Vernacular Middle and High Schools, so that the sons of businessmen might be given training in modern methods of business and banking. At the headquarters of the province, there should also be some Commercial College or some other institute where these studies might be continued to a higher stage.

SETH LAXMICHAND, Land-Holder and Banker, Seoni.

Oral Evidence.

Seoni, the 24th March 1930.

I hold 4 or 5 villages and have a gold and silver business. In my opinion, the condition of occupancy tenants is very bad, because, as they have not got the right of transfer, they do not obtain loans promptly when they require it and they have also to pay higher interest. The result is that they become hopelessly indebted. Owing to the high rate of interest, they do not pay their rent. They leave their land and cease to be cultivators and run away. If anybody files a suit for Rs. 25 against an occupancy tenant, it costs him at least Rs. 20, and in the end he gets nothing from the occupancy tenant. Another result is that the malguzars suffer harm from this too. They do not recover their rents promptly and have to borrow money for paying the land revenue and they also become indebted.

Replying to the Chairman, the witness said: I am of the opinion that, if occupancy tenants get rights of transfer, they will still continue their improvident ways and lose their land: so I am not in favour of this right being granted. My view is that malguzars should not have to go to the civil court for the recovery of rent: but as soon as information is laid before the revenue officer, the revenue officer should help him in recovering his rent.

**RAI SAHIB DADU DWARKANATH SINGH, M.L.C. (Rural),
Seoni.**

Oral Evidence.

Seoni, the 24th March 1930.

Chairman: I understand that you are a member of the joint Hindu family holding the old Darasi taluka?—Yes. The estate contains about 96 villages.

Do you finance your own tenants?—I lend the grain on short-term loan requirements of my agriculturists. There are a very few outside money-lenders in the big villages like Darasi. Generally, the only other money-lending is done by big tenants. The ordinary rate of interest is 25 per cent per annum, both for cash and grain advances on short-term loans.

If your tenants want to borrow money for long periods on mortgage of their property, do they borrow to your knowledge, or is it for previous old debts?—Very few directly borrow money from money-lenders when old debts are accumulated. In some cases when villages are purchased, persons borrow money on mortgage to make up the full purchase money if they have not got sufficient cash with them.

What do you consider to be the principal cause of indebtedness?—The main causes of indebtedness are lack of foresight and the uncertainty of agriculture and the variations of outturn according to the character of the year. The agriculturist always hopes for a better outturn than it begets.

Are you in favour of the grant of rights of transfer to occupancy tenants?—I am not in favour of granting the rights of transfer to occupancy tenants. I would go one step further and limit the right of malguzars to transfer their rights, because owing to the freedom of transfer, the real genuine cultivators will disappear, as we see in the case of absolute occupancy tenants whose land has passed hands through several owners.

Is the "Laoni" system prevalent in this district?—It used to be very common: but it is now dying out.

Seth Narsinghdas Daga: You have said that land is passing into the hands of non-agriculturists. Would you explain your meaning?—The lands should not go to sowkars who are not agriculturists themselves and work as middlemen.

Rao Bahadur K. V. Brahma, C.I.E.: You have stated that you would like to limit the rights of transfer by malguzars. What is your contrivance to enable the agriculturist get finance more freely than now?—Instead of rights of transfer, I want the principles of joint responsibility and mutual confidence introduced. People should borrow money on collective responsibility.

When the value of each individual from the point of view of credit is practically nil, the collection of five or ten persons will not make any difference. In the case of taccavi, Government have a right to sell the occupancy land to recover their debts. How can we think of a system of finance by which a cultivator will get money without any property in land to transfer?—I would make the right of transfer dependent on the consent of the villagers and the headman of the village, and also on the consent of the malguzar. I would leave people to manage, as best as they can, in the absence of the rights of transfer.

Have you had any opportunities of seeing for yourself that a large number of tenants have been driven out from their land in any particular village?—I have not seen for myself and would not be able to give statistics of the percentage of persons who have been expropriated from their lands by the exercise of the right of transfer by the malguzar.

Rao Bahadur M. G. Deshpande: Can you tell us how occupancy tenants, in your district, manage with their cultivation?—In the villages they get money from malguzars, from big tenants and sometimes from their relations. They have no difficulty in carrying on their agriculture. In my opinion, litigation is also a cause of the general poverty of agriculturists.

RAI SAHIB DADU DWARKANATH SINGH.

Do you manage all your villages yourself?—Yes, I am reducing my home-farm, which are given on lease. When they are not paying we give them on contract.

What is your net profit per acre for wheat and rice?—I cannot give this off hand.

If a land mortgage bank is started, are you in favour of giving rights of transfer in favour of the land mortgage bank?—If rights of transfer to the land mortgage bank are given, the tenants would lose their land, and so I am not in favour of this being granted.

Professor A. C. Sen Gupta: You say that occupancy tenants of this district get enough finance for their cultivation. Do you think they get as much as they really require for cultivation and for improvements?—I cannot say whether occupancy tenants get enough capital for their purpose.

Chairman: Thank you. Good morning.

IV.—NERBUDDA DIVISION.

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

**MR. KISANLAL GANDHI, Munim, Banapura, district
Hoshangabad.**

Reply to the Questionnaire.

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

QUESTION 1.—The well-to-do agriculturists get finance on signing the books of the creditors while ordinary ones get it on execution of stamp and on signing the books, etc.

The rates of interest vary from annas 8 to Re. 1-8-0 per cent. There is no definite time limit for repayment of debts. The agriculturists get loans according to their income but some of them get even more than their income from different creditors.

We cannot give any estimate of the total amount of capital required in the province.

QUESTION 2.—The present method of marketing crops in the province is by selling them in the market places as soon as they are ready.

For internal remittances hundis, cheques and notes are used.

There are no defects in the existing system thereof. There are two kinds of hundis in vogue. They are—

- (1) Hundi at date (with time limit from one to eleven months) the amount of this kind of hundi is paid only on the date specified therein.
- (2) Hundi at sight which is payable the next day.

The present rate of stamp duty on hundis at date is $1\frac{1}{2}$ anna per cent which should be reduced to 1 anna per cent. Similarly the stamp duty on loan bonds should also be reduced from its present rate of 8 annas per cent.

The hundis are discounted at the places mentioned therein.

QUESTION 3.—The value of land per acre for different kinds of crops is from Rs. 25 to Rs. 75 in this district.

QUESTION 4.—In our province there are legal impediments to mortgage land of occupancy right or the gardens on such lands.

The income of the occupancy tenant is not taken as sure and as he cannot mortgage his land he is unable to secure the amount of loan required.

In this province there are a number of indigenous bankers for mortgage of lands.

QUESTION 5.—It is rather very difficult for us to give any estimate of the existing indebtedness of the agriculturists class as we have no means to verify it.

QUESTION 6.—In our province there are cotton gins and presses and flour mills in sufficient numbers.

The agriculturists should utilize their spare time in spinning cotton and they can easily do it. The Government having raised the rate of foreign hundis (exchange) the Indian-made articles fetch lesser price than foreign ones, and thus large amounts of money go out of India by way of the sale proceeds of the foreign articles.

III.—Investment habit and attraction for capital.

QUESTION 1.—There are banks, postal savings banks and indigenous banks available for investment and saving of money and they afford ample facilities to the people.

MR. KISANLAL GANDHI.

Out of the money obtained by selling the produce of their cultivation the agriculturists first make provision for their families for the year. Then they make arrangement for their cultivation purchases and the balance is paid to the banker in repayment of his debts. Although every agriculturist cannot have enough surplus for this purpose after meeting the first two charges yet whatever he can he pays to the banker to satisfy him.

All the holdings of the cultivators being assessed for land revenue they cannot afford to keep any portion of it uncultivated. For this reason they can not keep cattle in sufficient numbers and are required to purchase bullocks on cash payment.

**SETH FASUMAL DOULATARAMJI, OUSWAL, Landholder,
Seoni-Malwa, district Hoshangabad.**

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

A well-to-do agriculturist obtains finance on signing the books of the bankers and the ordinary ones obtain it on execution of a bond.

The rates of interest charged range from 8 annas to Re. 1-8-0 per cent. There is no time limit for repayment of the loans. The agriculturists get loans according to their status.

2. As soon as the crops are ready they are brought to the market in bullock carts or on the backs of camels and sold there.

For internal remittance hundis, cheques and notes are used. There are no defects in the existing system.

In this part two kinds of hundis are current—

- (1) Hundis at date (with limit from one to eleven months).
- (2) Hundis at sight (payable the next day).

The stamp duty on hundis at date is Re. 1-6-0 per cent at present which should be reduced to 1 anna per cent.

3. In this district the value of land per acre is from Rs. 25 to Rs. 75 for different kinds of crops.

4. There are legal impediments to the mortgage of occupancy holdings, and the *sir* land.

There are no land or village mortgage banks in this province. It is the money-lender who does all the business.

5. It is difficult to give an estimate of the existing indebtedness of the agriculturist class.

6. In this province there are many ginning factories and presses and flour mills.

III.—Investment habit and attraction of capital.

Really speaking every cultivator is not able to save enough for the repayment of his debts. He however pays a little to the creditor just to satisfy him and looks to the comforts of his family and children. The reason for this is that all his land being assessed for land revenue he cannot afford to have any fallow land. He can not therefore keep cattle, etc., in sufficient numbers and is often required to purchase bullocks.

**RAI SAHEB SETH MOTILAL, Banker and Honorary Secretary,
Central Bank, Limited, Piparia.**

QUESTION 1.—The agriculturist obtains finance—

For (a) from Government (taccavi), co-operative societies, malguzars, sowkars, khans (Rohillas) and a few kisans; for (b) generally from sowkars, malguzars, and at times from co-operative societies, (c) from sowkars, co-operative societies and Government taccavi.

The rates of interest in this district depend on the status of persons taking the loans. While the sowkars, malguzars and some kisans charge interest at the rate of 24 per cent, the co-operative society charges only 12 per cent and the rate of the Rohillas, who charge interest at the rate of two annas per rupee, comes to 150 per cent per annum. The dealings of the Rohillas are more with the non-agriculturists than with the kisans who go to them only in times of emergency. Loans are given for a period ranging from 6 months to 3 years. No security is asked for from a substantial kisan, but if the recovery of loans is doubled the sowkar insists on the security of ornaments, cattle, house, standing crops and immoveable property like land. In some cases mortgages carry the condition that in case an instalment or the loan is not paid up within the stipulated period, the property mortgaged would be liable for sale and the whole amount would be due.

Government and co-operative societies no doubt render some help to the agriculturists, as they advance loans for making productive improvements in agriculture; since the agriculturists gain by such loans they are able to repay them. But the reason as to why their condition does not improve is that they also borrow from malguzars and sowkars who having their eye on the lands of their debtors are not very particular about the repayment of loans.

Payment of rent is the first of a farmer (kisan). If a kisan who is indebted to the malguzar pays his rent the latter credits it towards the repayment of the loan, while the rent is shown in arrears. If the kisan be not vigilant, he is ousted from his land through the court. The sowkar also is always anxious to swallow poor kisan's lands. In order to obviate all such difficulties a capital of 25 lakhs is needed for the Sohagpur tahsil.

For unhari seeds, the kisans have permanent sowkars who advance them seed from year to year. Good kisans keep their own seed, but a majority of those residing in the villages adjacent to Piparia have to borrow. About 3,000 maunds of seed is annually taken. This seed is borrowed in the month of Kartik and repaid in *Baisakh*. Thus grain advances are given to the kisans for a period of 6 months and they have to be repaid with *savays* or *devdhas* ($1\frac{1}{2}$ or $1\frac{1}{4}$ times). If for some reason, the advances could not be repaid in *Baisakh* the kisan has to execute a deed for the whole quantity including the *badhi*. This quantity becomes due in the next *Baisakh* with *savai badhi* and if it remains still unpaid, it increases with compound *badhi* from year to year. For example, if 2 maunds of grain is taken on *savai badhi* in November 84, 2½ maunds become due in May 85 and in case the grain is not repaid, it rises to 3½ maunds within the period of 1½ years, i.e., till May 86.

It is thus that the indebtedness of the kisan increases by leaps and bounds and when he finds himself unable to clear it off, he has to part with his land.

The agricultural department and the department of co-operative societies should be one and the same in the interest of the agriculturists. The condition of this class of people can improve only when arrangements are made to provide them with seed from the agricultural department and with debt for other necessities from the co-operative societies. In order to work such an arrangement in an efficient manner, it should be entrusted to the care of a set of competent and selfless honorary workers, because it is owing to the selfish people entering into such institutions that their progress is hampered. Since the opening of the co-operative society in this tahsil, the people have stopped the practice of taking advances (loans) on the security of crops.

There is very little co-ordination among the various credit agencies. If the kisans are educated, there is much scope for improvement. It is, therefore, necessary that honorary workers should be selected by the public and Government together.

RAI SAHEB SETH MOTILAL.

QUESTION 2.—After repaying the grain loan and other advances, the cultivator disposes of the remainder of his produce either in his own village to the *Banias* or takes it to the grain market and sells it through the middlemen (*dalals*).

Although the people are at present apathetic towards forming pools, it is hoped that pools will be formed in future particularly because co-operative banks have commenced paying attention to this matter. Education will impress on the people the need for forming pools.

Pucca roads and pools are necessary for bringing products to markets. It is also necessary that the products should be disposed of through co-operative societies. No such facilities are existing at present. No help is received from banks and bankers, merchants and dealers during the process of marketing. On the contrary they are a source of nuisance. It is well known that trading community is predominant in places where there are markets and men belonging to that community are always in a majority in the municipal or notified area committees, they therefore make such laws as are beneficial only to themselves. A glance at the trade conditions of a small *basti* like Piparia will convince any one as to how the *kisans* are put to a considerable loss owing to the vagaries of those who rule the roost. It is therefore necessary that bazar committees should be formed in accordance with the law and they should consist of producers, purchasers and some official members. The purchase and sale of produce should also be carried on on the co-operative basis.

Registration, insurance, money orders and hundies are the existing facilities available to the public for internal remittance. The co-operative bank sends money in the province through the treasury, while the Provincial Bank can remit the same to other places through the Imperial Bank. The despatch of hundis is attended with certain risks, sometimes those who issue hundis become insolvent and in that case the receiver of hundi has to sustain a loss. If the money order commission is reduced from Re. 1 to 8 annas per cent, the risk can be considerably reduced while the postal department will also gain. The rate of hundies differs with the needs of merchants.

There are two kinds of hundis, first is called the *Darshani* hundi which is discounted immediately. The second which is called the *Muddatti* hundi can be discounted after the expiry of the period noted therein. This kind of hundi can be discounted in the local centre and it can be sent anywhere within the country. The establishment of a licensed warehouse with the aid of Government is an absolute necessity in the interest of the agriculturists.

QUESTION 3.—In this tahsil, the land which wheat, gram, juar and tur are sown is sold at Rs. 100 per acre, while the *moran* or *maryar* land for the same crops is sold at Rs. 200 per acre. The *sir* land is sold at Rs. 25 to Rs. 40 per acre.

The land valued at Rs. 650 fetches Rs. 750 in the event of sale by auction in execution of a decree for non-payment of revenue, while the same land is sold for Rs. 1,000 by private negotiation.

QUESTION 4.—There is legal impediment to the mortgage of land and agricultural holdings. The *mourasi kashikar* (agriculturist) cannot mortgage his land. If a *katai kisan* (agriculturist with absolute rights) were to mortgage his land without the concurrence of the *malguzar*, there is trouble at the time of its sale, as the *malguzar*, having the first claim to purchase the land, fixes any price he likes and if he be an influential person he can easily influence other agriculturists in offering the price he fixes.

There are no land mortgage banks for the provision of long-term credit. It is however heard that a land mortgage bank is to be opened here.

The establishment of such a bank is calculated to benefit the *malguzars* and the *malik-mahbuzas* and *katai kisans*. Capital for such banks should be raised by selling shares, by deposits and by taking loans from other banks. Debenture bonds cannot be disposed of without any Government guarantee. If these bonds are insured, it can secure Government against loss. Those bonds that are issued should be included in the list of trustee securities.

Agricultural mortgage banks will find it difficult to get money without any Government guarantee. These banks should get money at Rs. 4 per cent and advance it to the agriculturists at Rs. 5 or 6 per cent.

RAI SAHEB SETH MOTILAL.

The British and American capitalists will be able to give long-term loans on less interest provided sufficient security is given.

QUESTION 5.—99 per cent of the agriculturists are in a state of indebtedness. It is not possible to form an estimate of their indebtedness without enquiry. The patwaris should be asked to make a list.

In this tahsil, debt is generally incurred for purposes mentioned in (a), (b), (c), (d) and (e). Very few take loans for purposes mentioned in (g) and (h). The creditors are Government, co-operative societies and mahajans. Owing to non-payment of interest, the debt due to co-operative societies has doubled, while that due to mahajans has become fourfold.

Owing to ignorance, the agriculturists incur expenditure beyond their means, they are also careless about the payment of interest on their debt. The result is that their debt grows by leaps and bounds. The crop generally fail far want of irrigation facilities.

The co-operative societies advance loans at the rate 12 per cent, while the mahajans do so at 24 per cent. The interest (if not paid) is added on to the principal year after year.

The landed property of several kisans and Malguzars has passed into the hands of the sowkars and they have been turned into tenants. In irrigated tracts and in areas not generally liable to famine, the malguzars and other agriculturists lose but little of their property.

If help is not given to this class of people by means of irrigation, they will lose all their enthusiasm.

QUESTION 7.—There is no relation between the co-operative banks and other banks in the country. The co-operative banks get facilities in remitting their money through the Imperial Bank or its branches. The co-operative banks have at present no means to establish their relations with the joint stock bank except that the latter might give cash credit to the former in times of need.

The co-operative banks do not find it difficult to secure finance in regard to short-term capital, but there are several difficulties in the case of these societies in regard to long-term capital.

(1) The one difficulty is that the bank is not allowed to invest more than its share capital and long-term deposits in long-term loans.

I can say in regard to Sohagpur tahsil that in order to fulfil the needs of all the agriculturists a sum of Rs. 25,00,000 is necessary.

There is no competition between the co-operative bank and the joint stock banks.

The co-operative societies should be given financial concessions in order that they may prove really beneficial to the kisans. They should be given exemption from income-tax and their debentures included in the list of trustee securities.

The Sohagpur tahsil Central Bank, Piparia, had opened about 8 business co-operative societies, but without success. Similarly, it had established a co-operative stores but in this too the bank met with no success. The agricultural co-operative *sabhas* are doing their business and attaining some success also, but they will not help the kisans unless they are able to secure money at cheap rate of interest. The Usurious Loans Act is sometimes useful in the courts in reducing the rate of interest. It should be used on a still wider scale and for this purpose it is necessary to appoint an enquiry committee in order to find out the amount of debt.

It is very necessary that the money-lenders should yearly supply their debtors with copies of accounts. In order to bring this about, it is necessary to licence money-lenders and enact the proposed Punjab Money-lenders' Bill.

The financing of primary societies should be done by the central banks alone.

MR. N. R. KEKRE, B.A., LL.B., Pleader, Harda.

Reply to the Questionnaire.

QUESTION 1.—The agriculturist in the Hoshangabad district and generally in the neighbouring district obtains finance for the three below mentioned needs as stated below:—

(a) For expenses during cultivation—

For this purpose the agriculturists usually gets loan from his *adattias* (or commission agents) in whose commission agency he generally sells his agricultural produce. This loan they obtain in proportion to their requirements for weeding, purchase of grain, for giving wages to agricultural labourers, grass cutting, seed purchase and whatever is required by him. There is a understanding that the agriculturist shall pay these loans from the next produce of his fields either cotton, wheat, or any other grain which must be sold in the local bazar through the agency of that particular commission agent called *adattias*.

(b) For capital and for permanent improvements—

Finances for this purpose are very rarely taken in this part of the Hoshangabad district by agriculturist, and if taken in rare cases for any such purpose the medium of the self-same commission agent is resorted to or from any other professional money-lenders to which class includes many *malguzars* as well.

(c) For the special needs, e.g., failure of monsoon, for land revenue, etc.—

Money required for this purpose is also taken by agriculturist from their commission agents or *adattias* in whose agency they generally sell their goods, but it has been found that money advanced for this purpose has generally been given on execution of bonds or acknowledging the amount in the account books.

The rates of interest usually charged in this Harda tahsil (of the Hoshangabad district) is from Re. 1 per cent per mensem to Rs. 2 per cent per mensem to the agriculturist according to their pressing needs and their status and security as evidenced from the extent of their holdings.

In no case generally the security of the standing crops is given for the advances taken from *adattias*, but in some cases where the advance has been taken from the local (village) money-lender or *malguzar* standing crops are mortgaged but this sort of security is considered not very secure. The period of loans taken for seeds, weeding, grass cutting and the like are generally for the season and are understood to be payable immediately out of the next produce which is to be sold in the commission agency of the *adattias*. The part played in agricultural finance by the Government is very negligible, or *taccavi* loans are given in very small proportion and for the obtaining of which the agriculturist has to undergo a lot of trouble and even to spend some money out of the prospective *taccavi* loans.

In the Harda tahsil Imperial Bank has had no hand at all in financing agriculturist, so also the joint stock banks and also co-operative banks' part in agricultural finance is also very small, the reason being the difficulty of forming societies of 10 or more men with joint liability and also the want of sufficient security to the co-operative banks, which does not and cannot finance to their full needs. The main part of agricultural financing is done by the *adattias* or commission agents and other local money-lenders and *malguzars* out of which the part played by the *adattias* is the greatest.

In my opinion the total capital needed for the various purposes stated above for the Harda tahsil alone will be something between 3 to 4 lakhs of rupees.

The total extent of grain advances for the Harda tahsil needed for one year will be something like 2,000 or 2,500 *manis*. The usual rate of grain advances is from *sawai* $1\frac{1}{2}$ or 25 per cent per annum to *dewad* or $1\frac{1}{2}$ or 50 per cent per annum of the grain advanced and is payable in the next harvest time.

The agriculturist is morally bound to dispose of the crops in the agency of the *adattias* from whom he takes advances for his needs and therefore he must sell in that *adattias* agency and on such sales the advancing are first deducted and the balance if any is paid to the agriculturist. I do not think this system in any way affect appreciably the disposal of the out-put. There is no co-ordination among the various classes of credit agencies and each of them work independently of each other.

MR. N. R. KEKRE.

QUESTION 3.—The value of land in the Harda tahsil of the Hoshangabad district is from Rs. 80 to Rs. 200 per acre.

Ordinarily lands producing good cotton and good wheat fetch a price from Rs. 100 to Rs. 200 per acre according to the situation and quality of lands.

In certain tracts lands though of good quality fetch less price as it has been seen that for a number of successive years the crop produce in that tract has been found unsatisfactory owing to bad seasons owing either to no rains or untimely rains.

Lands in such tracts fetches a value of Rs. 80 to Rs. 100 per acre or in abnormal cases even less.

(a) Cases of lands sold by Government for non-payment of revenue are practically nil in this tahsil and hence no special scale of price could be given for it.

(b) Value of lands in court sales is generally below its real value (except in rare cases).

(c) Value of lands sold by private negotiations has been from Rs. 80 to Rs. 200 per acre according to the quality and situation of lands.

Lands in the Seoni-Malwa tahsil of the Hoshangabad district generally fetch low prices owing to there being more rains and consequently non-production of cotton.

QUESTION 5.—It is impossible for any individual singly to give any approximate and correct estimate of the total indebtedness in a particular village or district or province.

Real information is not given by the agriculturist even in spite of minute inquiries. All estimates will be approximate and will err to the side of low figure.

The purposes of different kinds of debts cannot be given but it can be said that the major portion of total indebtedness is due by the agriculturists to professional money-lenders and indigenous bankers.

All debts grow owing to the system of charging compound interest on money and grain and habit of agriculturists in not paying interest in due time.

Really there are few other causes also of indebtedness in the agriculturists to which lead to the indebtedness coming under any of the sub-heads (a) to (b).

Among the agriculturists and labouring classes, there is a serious want of education and combined with this, false notions of religion and social customs add to the rapid ruin of agriculturists.

There is also a tendency in the agriculturist to purchase lands above their present paying capacity in the mere expectation of good harvest and this combined with failure of rains or heavy rains also add to the indebtedness of the agriculturists.

Rates of interest charged vary from Re. 1 per cent per mensem Rs. 2 per cent per mensem compound and on grain advances it is Rs. 25 to Rs. 50 per cent per annum compound.

The method of calculating interest is the Indian system of taking products (raw) and the method for enforcing payments of debts vary according to the various classes of money-lenders and they are not uniform.

Yes I am of opinion that gradually the farmer class and good agriculturists are being turned into tenants at will or mere labourers for others on the land owing to the increase of indebtedness, and this process if allowed to go on it will actually take away from the cultivators the incentive for farmers to improve their earnings and cultivation.

UMAJI MALHAR RAO, Land holder of mauza Devi, tahsil Sausar, district Chhindwara.

Reply to the Questionnaire.

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

1. (a) For expenses of cultivation the agriculturist in this district obtains finance from the indigenous banker for a short period and spends it for the improvement of his land and crop. When the crop is reaped he repays the loans. He takes loans on a stamp, a demand note or by pawning ornaments.

(b) For capital and for permanent improvement he takes loans according to his status. For such purposes a large amount is needed which is not obtainable in his village. He therefore goes to the district towns or places and obtains finance on the mortgage of his land, house, etc. The period of repayment is usually from one to twelve years. Some cultivators also get taccavi from Government for such purposes. The co-operative banks also advance loans but not for long terms. Long-term loans are taken on mortgage of land which require the consent of malguzars.

(c) In the case of failure of monsoons the agriculturist takes loan from bankers to pay land revenue. For ceremonial and such other purposes if the indigenous banker does not advance loan the agriculturist goes to the Kabulis, Punjabis, khans, etc., takes a loan on a higher rate of interest and satisfies his demands. In the year 1900 when owing to the failure of monsoon there was no crop land revenue was suspended and some cultivators got taccavi. But as there was not much assistance from Government, agriculturists had therefore to mortgage their malguzari land and obtain loan from bankers on a higher rate of interest. Much of the land and malguzari thus passed on to the bankers because of loans taken at that time. Loans are taken on the security of crops also.

In the Chhindwara district the rate of interest charged by big sowkars ranges from 8 annas to Rs. 2 per cent, while the Punjabis, Kabulis, etc., charge the high rate of Rs. 3, Rs. 9 to Rs. 12 per cent per month while for a loan for four or six months they usually take one and a quarter or one and a half times the principal.

In a few villages or kasbas there are indigenous bankers, while in Chhindwara there is a co-operative bank with 108 societies. The rate of interest of the bank is Re. 1 per cent but those who have to take loan have to form into a society and purchase a share (of the bank) of Rs. 10 for every loan of hundred rupees. Again, the loan is advanced on joint responsibility which is not popular. Government advances taccavi up to three times the land revenue. In the Sausar tahsil there are 415 villages and this year Rs. 3,000 which comes to Rs. 7-3-7 $\frac{1}{2}$ per village were advanced. The rate of interest charged is 6 $\frac{1}{2}$ per annum. The Government assistance being so inadequate the agriculturist has to approach the indigenous banker and obtain loan on high rate of interest in order to meet his demands.

The profits earned by the agriculturist on his crops go towards interest and he has always to live under straightened circumstances. The poor agriculturist has thus become indebted. Wherever there are co-operative societies 75 per cent of cultivators of those places need loans but their needs cannot be fulfilled.

In this district grain is advanced on *sawai* or *dedhi* system. It is to be returned within six months. In the Sausar tahsil there is no stock of seed maintained by Government.

The remedy is that Government should open seed depôts at every place and should recover the grain advances in suitable instalments, but in the same year.

2. In Chhindwara the following crops are grown:—Cotton, pulses, juar, wheat, gram, oilseed, kodon, kutki and sugarcane. The cultivators take their produce to the markets and sell it through the agents or brokers and they have to pay brokerage to them. The illiterate cultivator has to trust his brokers and accept whatever is given by the brokers. Some cultivators sell their produce in their village.

3. Value of land in Government auction for non-payment of land revenue is sometimes less and sometimes more. Similarly is the case in respect of a civil suit decree. Land purchased by private negotiation fetches a satisfactory value.

UMAJI MALHAR RAO.

4. Only those who hold katai or malik-makbuza land can mortgage their land. Those who hold mourusi land cannot do so and this is a legal obstacle. There is no bank in this district which would give loan on the mortgage of land. The co-operative bank is working but it is doubtful how far it has benefited the public.

II.—Indigenous Banking.

So long as there is no guarantee from Government regarding the payment of interest it is not possible to secure deposits for a long period. There is no difficulty for obtaining deposits (loans) for a short period.

Financial help can be given to the co-operative movement and it should be given.

In our district some of the wants of agriculturists, traders and other businessmen can be supplied by co-operative movement. There is no co-ordination between the various credit agencies including Government. It would be better if Government gave taccavi to the agriculturists on a co-operative basis, by asking them to form into societies. The indigenous bankers and others should be restricted from taking high rate of interest and the cultivators should have only one source of getting loan so that the cultivator may not be able to obtain loan more than he requires.

The agriculturist sells his chief crops to the merchants only. They fix the rate after calculating their profits and sell it in cities. There are very few cultivators who take their produce to the market. The few that do so have large produce. The small cultivator does not try to take his produce to the market. In the market the merchants generally lower the prices by joining together and the cultivator has therefore to sell his produce at those prices. In order that he may not be required to take his produce back and thus incur unnecessary expenditure he sells it to the merchant at the rate he dictates.

Value of land.—Katai and malik-makbuza.—In the Sausar tahsil the value of land which grows cotton and juar varies from Rs. 50 to Rs. 1,000 per acre. In Chhindwara and Amarwara (khalsa) tahsils the value varies from Rs. 25 to Rs. 600. In Chhindwara proper land, in which garden crops, etc., are cultivated fetches Rs. 500 to Rs. 1,000 per acre. Price of lands depends on their nearness to a market place.

No assistance is given to the agriculturist by the bankers, indigenous bankers, merchants, agents or brokers in respect of crop cutting and bringing it in the market. Besides commission or brokerage the agent deducts amounts for charity, temple, destitute and other funds which the cultivator does not understand and cannot decide whether he should or should not contribute and whether the amount thus collected is properly utilized.

6. At present there are no subsidiary industries which can be undertaken along with agriculture.

(1) Dairies, (2) gud making, (3) gardening, (4) lac cultivation, (5) spinning, (6) chatai making, (7) weaving, (8) oil mills, (9) ginneries, and (10) wool from the sheep.

Arrangements should be made to send the articles (produced by the above industries) to those parts of the country where they are required. Such an arrangement can be made by joining together. Whatever articles are produced the agriculturists should not individually sell them but collect them together for sending it outside for sale. The industry which the cultivator can undertake in his leisure is spinning by which he will at least be able to provide enough clothing for his family for he also requires clothing which is very dear. After meeting his requirements he can increase his output of spinning and sell it. By spinning and weaving the agriculturist can sufficiently increase his income and thus improve his way of living.

Shops to stock articles produced by the agriculturists should be opened in cities.

These shops should have enough capital to purchase as early as possible all the articles made by the agriculturists. The capital of such shops can be raised by means of shares and arrangements should be made for advancing money from the co-operative societies.

UMAN MALHAR RAO.

In this district the indigenous banker advances loans on the credit of the agriculturist. Persons doing other business obtain very little money. The indigenous banker takes into account the mode of living of his client and thus change their rate of interest. They are always after advancing loan without considering the income and expenditure of their clients.

The cultivator nowadays usually gives a uniform rate of interest whether the amount of loan is in cash or kind. If the rate of interest is reduced he can make some saving which he can utilize in improving his agriculture and his manner of living.

III.—Investment habit and attraction of capital.

The agriculturists in this district deal with the indigenous bankers. No facilities are afforded to the general public by Government or by co-operative banks for investing their savings.

No encouragement is given to the cultivator to effect savings. Only the persons in cities lock up their money in banks.

If co-operative societies are established in every village deposits can be secured, they can also be returned when required.

**RAMLAL SHEOLAL SHARMA, Zamindar, Mohagaon,
Chhindwara.**

Reply to the Questionnaire.

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

QUESTION 1.—(a) For expenses during cultivation the agriculturist obtains finance from the indigenous banker on a simple money bond, from a co-operative bank if there be one or from Government in the form of taccavi.

(b) For capital and for capital improvements he obtains finance from the banker by mortgaging his property or from Government in the form of taccavi.

(c) For other special needs he takes loan on an ordinary loan bond from the banker or from the co-operative society if there be one.

The rate of interest varies from annas eight to rupees two per cent per month. The question of repayment is immaterial, loans are advanced on the soundness and honesty of the agriculturist. In a few cases standing crops are also mortgaged, but this is rare.

Looking to the needs of the agriculturists the help they get from the Government, co-operative banks, indigenous banks and money-lenders is very small.

By borrowing some amount in advance the crop of an agriculturist fetches a very small price and he is required to pay the banker in kind. He would no doubt be saved from this loss if co-operative banks were to advance money on a low rate of interest.

QUESTION 2.—When the harvest is reaped grain is taken to the nearest market where it is sold and other merchants also travel through the villages and purchase the grain at lower rates.

The agriculturist would no doubt be benefited by the formation of pools and co-operative efforts for marketing the produce, but as he often has no money to satisfy his needs he has to sell his produce as early as possible and as such cannot take the advantage of such efforts.

The roads from villages to the market place being in a very bad condition in many places the agriculturist has to sell his produce in his own village at a much lower rate. There are no roads joining the pucca roads and the few that exist cannot be used in the rainy season.

The indigenous merchants cannot make any profit for want of capital while the foreign merchants make much profit as they have all the facilities. After harvesting and before the produce is sold the agriculturist manages his affairs by taking loan from the brokers or money-lenders. Banks, etc., do not help. For internal remittance the following are in vogue:—Hundis, money orders, insured letters and insured parcels.

The system of internal remittance is expensive. It would be better if branches of the National Bank are established in every district taking the responsibility of remitting money. This would result in the reduction of expenses. The practice of hundis, loan documents, cheques, etc., is prevalent to some extent.

There are two types of hundis current in this province, viz.:—(i) Darshani hundi, i.e., which is to be cashed when presented, and (ii) Mudati hundi, i.e., which is cashed after the expiry of a certain fixed period.

If banks are established in every district the practice of payment by hundis would be much encouraged. The existing co-operative banks are paying no attention to it. A little progress is now, however, noticed in this direction. Hundis are not at all in vogue in the villages. A few rich persons that live in the villages use hundis for remittance, etc. Hundis have to be sent to big cities. In bigger districts, brokers, merchants and commission agents receive these hundis and sell them at their convenience or send it to other places.

QUESTION 3.—In our district various kinds of crops are reaped, viz.—

- (i) Juar, kodon-kutki, maka, etc.
- (ii) Wheat, gram, alsii (linseed), sesamum, masur, mung, tuar, udad and other pulses, etc.
- (iii) Cotton, groundnuts, etc.
- (iv) Sugarcane and garden crops.

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A field containing first class soil is sold in this district at a rate more than Rs. 1,000 per acre at any time. The minimum price of a field is Rs. 20 to Rs. 25 per acre. The price of second and third class field depends on various factors; but ordinarily wheat-producing field fetches a price of Rs. 100 per acre. Fields producing cotton and those that are manured and produce sugarcane, garden crops, vegetables, etc., fetch maximum prices. Such fields fetch a price of Rs. 400 to Rs. 500 per acre.

(a) and (b) Fields that are sold by Government by auction for the non-payment of land revenue fetch a lower price for those that are in need of land hardly get the news of the sale. Similarly is the case when a decree for sale is passed by the civil court.

(c) A satisfactory amount is obtained through the sales managed by private negotiations and tact. The amount received through the sales by Government auctions is usually 30 or 35 per cent less than what would have been obtained by private negotiations.

QUESTION 4.—Tenants holding sub-tenancy mourosi and ryotwari lands cannot mortgage them under the existing laws. Only absolute occupancy and malik-makbuza lands can be mortgaged. A malguzar cannot mortgage his sir land without the previous sanction of the Deputy Commissioner. The rules governing this provision and its application by the officers are very curious; and as such they are troublesome.

There is no land mortgage bank in our province. The co-operative bank advances loans on the mortgage of lands of its members only; but according to the rules it is of no benefit to any one person. Besides this, there is no other bank which gives loans to the cultivators. There is also no bank which could give loans on a long term of repayment.

In the beginning a co-operative bank collects capital through shares and afterwards through securities or loans from the Provincial Bank. It would no doubt be better if permission is granted to the co-operative banks to advance loans on mortgage to malguzars and honest cultivators. It is, however, true that people have lost confidence in the co-operative banks and it would be very difficult for them to collect capital; but if, however, Government were to give security on certain special conditions it would not be difficult for them to collect capital.

There is a great necessity of improvement in the records maintained by the patwari. Under the existing rules the title of ownership (dakhil kharij) of agricultural land is left to the sweet will of the patwari and it is difficult to describe the loss that the cultivators are suffering. In the Tenancy Act a period of a year too is prescribed for everything. It is well known that nearly 85 to 90 per cent of the cultivators are illiterate. In this district there are some villages where not even one person is literate and the few that are can only know how to sign their names. They have no legal knowledge or intelligence nor are they tactful. If, under such circumstances, a patwari through mischief or dishonesty enters for two years in the records the name of another person instead of the real owner, it becomes very difficult for the owner to prove in the court that the land was in his possession. The courts treat the patwari records as absolutely correct. Under these circumstances and taking into consideration the illiteracy and ignorance of the poor cultivators it is indeed doing great harm to them to leave such an important work to the sweet will of the patwari. The indigenous banker is thus naturally afraid of advancing loans even by mortgaging the fields and in the ordinary way the cultivator is required to pay a high rate of interest.

It is therefore necessary that entries regarding the title of ownership should be done in revenue court; or the patwari should obtain the signature of revenue officers on his records which pertain to the title of ownership.

Besides this the lambardar should also sign these papers. If this is done patwari records would be reliable and the bankers would not hesitate to accept them as correct. There should also be a provision whereby every year the patwari should give free or on nominal charges a copy of these papers and obtain the cultivator's signature on the original.

No special concessions, which an ordinary indigenous banker does not enjoy, should be given to the co-operative banks in the case of non-repayment. If this were done it would no doubt entail a great hardship to the cultivators and

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the poor cultivators would never obtain justice against intelligent managers of the banks. It is very necessary to consider the situation that has arisen owing to the concessions given to the co-operative banks against their members and the loss and injustice done to the poor cultivators thereby.

The capital of such mortgage bank be derived from deposits, funds from central institutions and debenture bonds. But there should be Government security for the original capital and the interest. Otherwise it would be difficult to collect the capital even and the rate of interest would also not be lower than that of the ordinary bankers. In order that Government may be saved against any loss it should appoint able inspectors to inspect the working of the banks. They should often inspect and find out if any bank is undertaking any activity which might result in loss. Trusts of debentures of this bank should be included in the list of securities. There should also be a provision that banks should give loans to the cultivators at a slightly higher rate of interest than the rate they pay on the loan taken by them. Otherwise it would only entail unnecessary expenditure. At present the co-operative banks take loan at a rate of 5 or 6 per cent and advance the amount to the cultivators at 10 or 12 per cent. This of course does not help the cultivators.

QUESTION 5.—It is very difficult to estimate the present indebtedness of the agriculturists; but Government can get it by conducting an enquiry through the patwaris. The estimate by an individual in this respect would be very misleading. The amount of loan advanced on mortgages can be ascertained from the registration office. My own estimate is that the cultivators in this district are indebted to the extent of 30 to 40 lakhs which is increasing every day and the cultivators are going down and down under it. In most cases loans are taken to meet the present needs and other expenses; and when once a cultivator takes a loan he can never be out of his debt. It would not be fair to charge the cultivator that he spends beyond his means in marriage and other social obligations. In most cases loans are not taken for the purchase of agricultural implements and other improvements. Taccavi which is generally taken in the name of purchase of implements and improvements is usually utilized in liquidating old debts or other purposes. Generally loans are taken from the indigenous bankers. In the existing debt on the agriculturists 5 to 10 per cent is from the Government or the co-operative banks while interest and compound interest amounts to 30 to 40 per cent of the total debt.

The first cause of their indebtedness is their illiteracy; secondly, they hold generally a small piece of land. The rate of interest varies from 12 annas to Rs. 2 per month and every year the amount of interest is included in the principal. Under the existing circumstances it is evident that owing to the indebtedness of the cultivator he is discouraged from effecting any improvements in his agricultural practice, and if in the near future he is not helped he would entirely lose heart.

QUESTION 6.—As regards the subsidiary industries the following are prevalent:—(i) preparation of gur, (ii) garden crops, and (iii) spinning and weaving, also ginning factories near Sausar.

In this district the establishment of dairies can be profitably conducted. If Government were to give some special concessions to cultivators to help their cattle in Government forest it would no doubt give much impetus to the dairy business. The cultivator would no doubt be much benefited if he were to spin in his idle hours and make cloth for which he had to depend on others. The amount thus saved would be utilized in cultivation. If Government were to advance loan without interest to the cultivators for spinning and weaving it would be of much help to them. At present such industries have no facilities of obtaining loan.

In my opinion it would be better if a branch of the All-India Spinning Association, started by Mahatma Gandhi, is opened in this province and if Government were to help it.

II.—Indigenous Banking.

1. There is no indigenous bank in this district.

The indigenous bankers do their banking on the following basis:—

- (a) On loan register (hahi-khata),
- (b) on hand note register,

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- (c) on ordinary stamp,
- (d) on registered mortgages,
- (e) on promissory demand note,
- (f) on hundis,
- (g) on business, and
- (h) their banking business has also concern with the banks.

2. There is no indigenous bank in this district.

The indigenous banker advances loans to his clients looking to their status in respect of cultivation business and other vocations.

4. Hundis are of the following types:—

- (a) Darshani hundi (to be paid when presented).
- (b) Mudati hundi (to be paid on due date).
- (c) Promissory demand note.
- (d) Ordinary (stamps).

Any one of the above is used according to the status of the borrower.

5. This has been answered in question 1. The indigenous banker meets his demands by means of his capital and deposits. The rate of interest allowed on deposits is from 4 to 12 annas per cent per month. If, however, the condition of a banker is worse he insists on meeting his demands in kind.

Yes. Sometimes realization is effected by the sale of the produce.

6. The cultivator has to pay to the indigenous banker a rate of interest varying from annas twelve to Rs. 2 in cash. In kind he has to pay one and one quarter times.

(a) The indigenous bankers advance loans to the agriculturists to a small extent. For the land being of mourosi (occupancy) right there is not much possibility of its repayment. And even though a civil suit is instituted the amount is not recovered, while the suit entails a great expense. If the same facilities, which Government and the co-operative banks enjoy in respect of the recovery of taccavi and loans, are given to the indigenous bankers they would no doubt advance loans at a smaller rate of interest and thus meet the demands of the agriculturists.

(b) The indigenous bankers do not advance loans to the malguzar because the sir land in the villages is very costly and cannot be mortgaged without the previous permission of the Deputy Commissioner. It is very inconvenient to obtain permission for its mortgage and usually takes a long time, while such permission is seldom given.

(c) Owing to the above reasons the banking business of the indigenous banker has been much reduced; for owing to various difficulties he has to sustain loss. Again, owing to expenses and payment of heavy taxes his condition has gone worse; and on many bankers the income-tax has been so heavily levied that the banker does not even get remission on the amount spent, on the contrary tax is also imposed on that amount.

7. (a) There is not much competition in our district in this respect.

(b) They are not sufficiently protected in law.

8. The system of banking is satisfactory. There are no special defects in it.

The accounts are calculated according to the old banking (mahajan) style, and usually many bankers explain the accounts of their dealing to their clientele.

10. Usually the indigenous bankers meet the ordinary demands of the people. When, however, there is some scarcity of funds they refuse and the rate of interest then rises.

12. It may be that with certain indigenous bankers amount might be remaining idle throughout the year.

III.—Investment habit and attraction of capital.

1. There is no such institution where the amount saved could be invested. Some persons deposit their savings in the postal savings bank.

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2. Some persons purchase the postal cash certificates. Agitation should be carried out to encourage its purchase.

Yes. The savings banks are of some help in cities and other places where the post office conducts a savings bank branch.

Ordinarily all classes of people deposit their savings in the savings bank.

3. If in a good year an agriculturist saves some amount owing to satisfactory sale of his produce he lends to other fellow-agriculturists on the usual terms of lending.

4. Indigenous bankers, banks, merchants and Government officials make use of the cheque system.

It would be advantageous to make use of vernacular script in banking which is understood by the public.

DHANNU SAO, Malguzar, Chhindwara.

Reply to the Questionnaire.

1. In our district the agriculturist obtains finance as follows:—

(a) For expenses during cultivation he mostly takes a short-term loan from the indigenous banker or malguzar. He obtains this loan by pledging ornaments or mortgaging the crop for the improvement of which he takes the loan and repays it in the form of crop or from the sale-proceeds thereof.

(b) For capital and permanent improvements he takes a loan on his personal security. Generally, a large amount is required for such a purpose which he cannot obtain in his village. He is therefore required to go to other bigger villages and has to mortgage his fields, house, etc., for the loan. The period of repayment of such a loan varies from one year to seven or eight years. In some cases the condition of repayment by instalments is imposed; but this condition is not generally imposed. He also obtains loan for this purpose from the co-operative banks and from Government as taccavi, but not for a long period.

This facility is available to only those cultivators who hold land in katali or malik-makbuza right. Small cultivators do not get loan for the improvement of their cultivation.

(c) When there is a failure of monsoon the agriculturist takes a loan from the banker to remit the land revenue. For social and other purposes he takes a loan from small bankers, Kabulis, Punjabis and merchants. In places where a co-operative bank exists 75 per cent of such needs are met by it, even then the agriculturist does not get enough amount according to his needs.

The following are the rates of interest in our district:—

Indigenous bankers.—The rate varies from 12 annas to Rs. 2 per cent per month.

Co-operative Banks.—The rate varies from 14 annas to Re. 1-4-0 per cent per month.

Government taccavi.—The rate is 8 annas per cent per mensem.

Malguzars, small bankers, Punjabis, Kabulis and others.—The rate varies from Rs. 3-2-0 to Rs. 6-4-0 per cent per mensem.

On a small amount the rate varies from 3 pies to 2 annas per rupee per month.

Most of the amount that is required for agricultural purposes is generally obtained from the indigenous bankers.

I cannot give the estimate of the total amount of capital or that of the grain advances required in our district. The cultivator is required to pay two times of the grain advanced to him if the seed is of the winter crops and one and quarter or half times if the seed is for summer crops (e.g., wheat, grain, etc). Sometimes the person advancing grain deducts the excess from the seed advanced for summer crops and gives it in the form of other seeds and receives in return the produce of the same crop. If the crop fails and the banker presses for his seed advanced it is repaid in the form of other grain. The repayment of grain advance is done within six months, i.e., within the period of the grain advance and the maturing of the crops. The only defect in the present system is that as the cultivator is unable to repay the excess amount of grain he is always dependent and is never able to store grain for seed. Again, he is not able to obtain, when necessary, good seed. In this connection arrangements should be made by the Agricultural Department so that he could get seed from the farms or farm should be established for every 8 or 10 villages and societies on co-operative basis should be formed.

The cultivator strikes the bargain with the merchants before his crop is mature and receives some amount in advance, when the crop is cut he measures the grain to the merchant. The cultivator then does not get the market value for his crop and is thus always in loss. For the merchant always purchases the crop at cheap rates and thus when he sells the rates are high and thus the real profits go to the merchants and not the cultivators.

There is no co-ordination among the various credit agencies, including Government, and thus if Government were to advance loans through the co-operative banks, it would be very advantageous.

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2. The agriculturist sells his chief crops to the petty merchants. These petty dealers fix the rates by including their profits and sell it in cities. There are very few agriculturists who take their produce to the surrounding market places where there is some possibility of their gaining some profit. Only a few agriculturists who reap large quantities of grain sell their produce in the markets. Petty cultivators do not make any efforts to take their produce to the market places. If any arrangements are made for the formation of pools and if co-operative efforts are made in marketing in produce, the agriculturists would be much benefited. At present there are no such facilities for the agriculturists for marketing their produce.

The agriculturist does not get any kind of assistance from the co-operative banks, indigenous bankers or the agents in marketing the produce, which when the produce is sold in the market deductions in regard to charity, brokerage, etc., are made from the amount of sale. There is also some mischief in regard to the measures and measurement.

Excluding the banks and indigenous bankers who use cheques, hundis, etc., for internal remittance, people generally send money by money orders.

In our district following are the prices of land producing different crops:—

(i) Juar, udad	...	...	Rs. 50 to Rs. 100 per acre.
(ii) Wheat, gram	...	...	Rs. 100 to Rs. 200 per acre.
(iii) Sugarcane	...	...	Rs. 200 to Rs. 500 per acre.

These rates, however, vary if the land is near a city or a market place.

(a) When land is auctioned for non-payment of land revenue it sometimes fetches high or low value.

(b) Similar is the case when land is auctioned as a result of decree of a civil court.

(c) But when land is purchased by private negotiations it usually fetches good price.

4. In this district only those who hold katai or malik-makbusa land can mortgage their land. Agriculturists holding mourousi land cannot mortgage their land. This is the legal obstacle. There are no land mortgage banks or other banks who would give a loan on a long-term basis by mortgaging land. The co-operative banks do some work in this direction, but the agriculturists are not fully assisted by them.

Capital (for land mortgage banks) should be raised by deposits and loans from other banks.

The agriculturists and malguzars would be benefited if land mortgage banks are established.

6. In this district there are no subsidiary industries allied to agriculture; but the following can be undertaken:—

(i) Milk dairies, (ii) garden crops, (iii) carpet-making (of bamboos or grass), (iv) spinning, (v) weaving, (vi) gud-making and sugar refineries, (vii) lac industry, (viii) basket-making, (ix) cotton ginneries, (x) taking out oil from oil seeds and (xi) taking out wool from sheep, its weaving and selling.

Proper arrangements should be made for the sale of the produce secured as a result of the above industries.

The following are the enterprises which an agriculturist should undertake when he cannot make full use of his time on his farm:—

(i) Spinning by means of spinning wheel, (ii) niwar-making, (iii) rope and suti-making from sunn, motha ambadi.

By the spinning wheel he will at least be able to produce enough cloth for his family.

And thus he will not purchase costly cloth and thus save money. Or he can make niwar or carpets and sell them when he has produced enough cloth for his family.

If the cultivator were to spin every day, he will, after a certain period, be able to increase his income. Taking into consideration the capital and labour the industry of charkha spinning seems to be the best.

For such industries there should be shops in cities which would only store articles made by the agriculturists. The capital of these concerns should be so

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sound that they should be able to purchase in cash the articles made by the agriculturists. In the above manner the agriculturist can be afforded the facility for selling his products and those concerns should manage their sale.

Capital for such concerns can be raised by shares and the capital required for such industries can be got from the co-operative banks.

7. In this district there are no other banks except the co-operative banks. It is not possible to get deposits for ten or more years so long as there is no guarantee from Government of receiving some minimum rate of interest. The co-operative bank of this place finds no difficulty in securing short-term deposits.

There is at present no criterion by which an estimate of the amount required for assistance on a co-operative basis could be made. There is no joint stock bank. The co-operative movement could be given more facilities and they should be given. The agriculturists, small merchants and other businessmen can be assisted on a co-operative basis to some extent. Such an assistance has also been given. Very few people have, however, secured any profit because of want of education and proper management.

Primary societies should be assisted by a loan from the Central Bank.

Banking.

The indigenous bankers are prepared to advance loans to the agriculturist on his terms by enforcing high rate of interest and discount.

A small amount is advanced on bond, while for large amounts land or house is mortgaged. Generally, when the client is unable to repay the loan, the banker does not care if the amount advanced is small; he is satisfied with the interest received.

When the loan is not repaid the banker takes the land or the cattle of his client and thus squares up the account. If the amount be big, he recovers it by civil suit.

The banker generally takes back the amount of the loan in one instalment.

No proper investigation is made of the manner in which the cultivator utilizes the amount of loan received by him.

The indigenous banker advances loan to the agriculturist taking into consideration the status in regard to land, cattle, etc. Persons doing other businesses obtain loan to a very small extent. The banker charges the rate of interest according to the status of his client and his manner of living.

The indigenous banker increases his capital by taking loans on a cheaper rate of interest and by deposits. They give a higher rate of interest on deposits than the banks. The rate varies from Rs. 6 to Rs. 9 per cent.

The banker who, along with his banking, also deals with other business, gives loan to his client in kind and in return receives the produce of his client. The client is thus in loss and the banker also receives the benefit in both these transactions.

In this district the agriculturists usually take loan from the indigenous bankers. The co-operative banks and Government also help to a small extent.

At present the co-operative societies are endeavouring to save money and accumulate capital in the villages, but their number is very small. In cities there are some societies and also postal savings bank accounts, but these are for the general public to invest their savings; for the villages there are no enough facilities in this respect.

If in every village co-operative societies are established, they would no doubt instil in the cultivators the habit of saving and of investing their savings.

Mr. PURSHOTTAM RAO LAD, Banker, Sawanga, District Chhindwara.

Reply to the Questionnaire.

1. (a) The agriculturists obtain financial help mostly from men who carry on money-lending business.

The rate of interest varies from 6 per cent to 24 per cent. A loan may be obtained on agreeing to repay after a year's time, that is generally the time of the next harvest. A short-term loan can be obtained on personal security; but a loan which is to be repaid after longer time can only be obtained on the security of immovable property.

Slight help is obtained from taccavi loans and co-operative banks, but it is with the help of money-lenders that most people satisfy their needs.

This district (viz., Chhindwara) approximately requires 20 lakhs of rupees for these purposes.

In our district the lending of seed corn is current only in those tracts where wheat grows. Not less than 500 khandis of wheat are lent and the condition of repaying it in *sawal* (i.e., 1½) is maintained.

Defects.—(a) Some dishonest money-lenders often attempt to exploit as much as possible from the debtors when the latter are illiterate and therefore unable to check accounts.

Remedy.—Spread of primary education. (b) Money is lent by the money-lenders at a very high rate of interest which his industry cannot bear.

Remedy.—Arrangements should be effected to provide loans at low rates of interest.

There is no co-operation in the working of the several credit agencies including Government.

Cotton 2.—Cotton is placed in carts and carried to market places where it is purchased mainly by foreign companies and also by provincial mills and local businessmen to some extent.

Co-operative associations meant for the sale of agricultural produce at reasonable rates can be established with advantage. In this respect some help from Government will prove of very great value.

The condition of the roads joining fields in villages to market places is generally very unsatisfactory. It must be improved. At present there is no special facility worthy of note. Roads there are, but in bad condition.

Hundi system is often taken resort to. Other ways are postal and telegraphic money orders and cheques.

3. Land producing cotton can be sold at Rs. 500 or more per acre. Other lands at Rs. 300 per acre. The cost of land depends upon such circumstances as going high or low of the prices of cotton and other produce. The value of land is affected adversely by failure of monsoon also—

(a) Fetches very little price.

(b) Little more than above.

(c) Fair and reasonable price.

4. An occupancy tenant is not authorized to transfer his land on mortgages. Such rights must be given to him. In this district (Chhindwara) no such bank exists except the Co-operative Society, which cannot adequately meet the demands of public in full. But men carrying on money-lending business advance loans repayable after a long term.

Such institutions may with great advantage be established with the co-operation of *kastkars* and *malguars*.

(a) Such records should be maintained up to date and kept at a place where they will be easily accessible to all those who wish to peruse them.

As far as possible such money may be raised by means of deposits and by means of shares open to the public of some definite division of land, e.g., a village, a group of villages, *tahsil* or a district.

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5. The debts in my village which has a population of about 2,000, amount at present to Rs. 15,000. This amount may be ascertained by referring to the registers maintained in Registration Offices, Income-tax Officers and to patels and patwaris of the village and to co-operative societies and also to the decree of Civil Courts.

Loans are taken for all purposes, enumerated in the questionnaire, but not for the purchase of new agricultural machinery, mostly from local mahajans and sowkars.

Rate of interest varies from 6 per cent to 24 per cent per annum at compound interest and simple interest. Loans may be paid back in instalments or otherwise.

To some extent, this is the case, i.e., some tenants on losing their lands have become sub-tenants.

The condition of tenants in parts where canal water is available and where no famine occurs is far more satisfactory than that of the tenants in famine stricken areas.

Their enthusiasm may abate, but prudent tenants will not be prepared to quit their lands for other means of livelihood though easier.

6. In our district (Chhindwara) there are very few factories, in fact there are only 3 or 4 ginning factories.

Petty occupations will be promoted by working in co-operation establishing companies and with the help from Government.

Spinning in private household will render considerable help. This occupation can be taken up without any initial capital. But facilities must be offered to purchase the thread at reasonable rates. A market place should be fixed where the produce of such petty occupations may be brought for sale. The companies above referred to should purchase the commodities and also should advance loans to bona fide tenants. The capital required for such companies should be raised by local subscriptions in the form of shares and if this is not sufficient, Government should help them.

Some such law may be framed which would require the money-lenders to take out licence and give copies of the accounts to the debtors. This will be to the advantage of the debtors.

MR. M. L. KOCHER, B.A., LL.B., President, Jubbulpore and Nerbudda Divisions Co-operative Institute, Limited, Narsinghpur.

Reply to the Questionnaire.

1. (a) For expenses during cultivation—

(1) By borrowing seed from local mahajans or malguzars at rates varying from 25 to 30 per cent. The seed to be repayed with *barhi* at harvest. The seed is generally advanced in the month of Kuar and collected in the month of Baisakh.

(2) After the fields are sown and the tenant has no kharif crop he borrows money to meet his current needs either on interest or he makes an advance sale of some of his expected crop.

(b) For capital and for permanent improvements, by borrowing on interest.

(c) Same as (b).

The rates of interest on cash vary from 12 per cent to 36 per cent according to the credit of the borrower in the district and this seems to be nearly general over the whole of the province.

The loans are generally taken in the beginning of the rains, repayable in Baisakh. The seed loans are for a period of seven months nearly. The security is generally of standing crop.

For long-term loans taken for improvement in holdings if there is mortgagable property it is generally mortgaged.

The Government grants *taccavi* for agricultural improvements and in times of scarcity for seed the loans given are generally meagre and do not meet the needs of the people. Except in years of financial stringencies due to calamities loans advanced are too poor and are also unpopular. Though the Government rate is only 6½ per cent, the agriculturists find it dear and they resort to it only when they cannot find money elsewhere.

2. If they seek a new sowkar, they have to pay *barhi* at 50 per cent.

1. Effect of taking advances on disposal of crop.—The advances are given after making bargains. The man taking the advance sells the crop at a very low rate than what would be found prevailing at the harvest, and the crop sold in advance has to be first measured to the purchaser who advances the money. The man makes the selection and takes the best crop. Whatever is left behind is generally of inferior quality and fetches a comparatively lower price. Thus the total value of the outturn which such a tenant gets is much smaller than what he would have got if he had not sold the crops for taking the advance. In case the advance is given duly against the security of crop, the interest charges are generally 25 per cent repayable at harvest. When the harvest is ready the creditor presses for money and the tenant has to part with his crop irrespective of favourable or unfavourable market.

Remedies suggested.

1. Wherever there is a co-operative credit society they should be encouraged to make advances to tenants.

2. Small banks should be started for limited localities to grant loans at reasonable interest on the security of crop.

3. Co-operative adat shops or sale societies should be started through which the crop raised could be sold. They should make necessary advance to their members taking mortgages of standing crops and against their mortgages they should be able to obtain money from commercial or co-operative banks.

4. There is co-ordination existing at present amongst the various credit agencies. I cannot suggest anything in this direction.

5. The crops in this district are mainly divided into kharif and rabi. Out of the kharif crops, juar, mung, cotton and tilli are important. Cotton crop in this district is not important. The minor crops, i.e., kodo, kutki, bajra, etc., are not sent to market. The cultivators keep them for home consumption.

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Juar, mung and tilli are mostly purchased by dealers from the cultivators at their own villages and they are carted to Gotegeon, Karbel, Narsinghpur, Kareli and Gadarwara where they are purchased by exporters.

Some of the tenants who are shrewd take their produce to market places for sale.

The same may be told of the rabi crop which is the most important of all and which includes wheat, gram, masur arhar, teora and batras. The cultivators in the Gadarwara tahsil generally take the produce to Gadarwara or Kareli for sale in their own carts; and in the Narsinghpur tahsil except villages round about Kareli they take them to weekly markets or sell at their own villages to dealers.

The quality of grain produced by different tenants varies and there is no uniformity. Unless seed of one quality is sown and care is taken not to allow impurity or different seeds to mix it with the question of pooling does not arise. The Co-operative Central Bank is trying to start a co-operative adat shop at Kareli to educate and help the agriculturist in this direction.

Part played by banks and bankers during process of marketing.—The banks or bankers deal with merchants and make the advances either on personal credit or against goods. In case of advances against goods they require margin money 25 per cent to 30 per cent to be left with them on every Rs. 100 worth of goods at the current market rate and recover the amount before the goods are exported by mail. They thus help the merchants in holding out the goods for one season to enable them to obtain better prices, but for the last three or four years this holding up of grain has caused people loss and grain merchants in the mohusal have considerably suffered.

The dealers are helped by merchants for marketing the produce to the grain markets and they in their turn make advances to the needy agriculturists till their crops are sold. The agriculturists at times give accommodation to the dealers also who clear the accounts after sales are effected.

Facilities for internal remittances.—Hundi is the best way of internal remittances. In big cities where there are commercial banks they also issue cheques and where none of these facilities exist remittances are made by currency notes. The Government cash orders are also received, but this is done by the banks or bankers only.

QUESTION 4.—Yes, under the Central Provinces Tenancy Act mortgages of occupancy holding are not permitted except in favour of persons who are amongst the heirs of the tenants. This impediment comes in the way of getting sufficient credit for agricultural purposes. There are no mortgage or agricultural banks. There is, however, a co-operative bank. There is no bank providing long-term credit.

There are no such banks in the province. Mortgage banks could be started on share basis with Government security for payment of interest and the securities provided by such banks should be included among trustee securities. The banks should issue debentures at least 50 per cent of which to start with, should be taken up by Government and the rest secured. Such banks shall be in a position to issue long-term loans to the landholders and tenants and remove their indebtedness in a number of years.

(a) I have no suggestion to offer.

(b) The process in vogue at present provided by order 32, Central Provinces Code, is simple enough.

(c) The bank be exempted from inspection fee for inspecting the records of rights and registration records. It will, of course, be exempt from stamps and registration fees. In case of defaults by constituents there should be a provision for reference to arbitration. This will save expenses of court-fees.

The working capital of such banks should not be largely raised by deposits unless they be for long-terms. I would certainly favour the putting of funds of central institutions like municipalities and district council—Central and Provincial Banks which are more or less of a permanent nature and also by issuing debentures.

Yes, the debenture bonds should carry Government security for both, i.e., interest and liquidation of principal. The Government will have the right to

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realize money from mortgage securities held by a mortgage bank. The debentures issued by land mortgage banks should be included in the list of trustee securities.

There is nothing from which I would gather what the idea of an agricultural mortgage bank is and I am not in a position to offer any opinion on it.

I would suggest that in case mortgage banks are started the reserve funds which are held by Government from various institutions and other funds such as famine insurance and other trust funds should be utilized in giving long-term loans to cultivators on the security of their lands. The exact procedure can be settled later on if the principle is accepted.

QUESTION 6.—None of the industries mentioned in question 6 can be undertaken by the tenants of this district except spinning, preparation of gur or garden produce in tracts where the water level is sufficiently high. The industries mentioned require the investment of capital which the tenants (agriculturists) have not or cannot procure for properly financing their cultivation needs. The industries also require special training for which no facilities exist either in the district or in the province. Match-making and extraction of oil from certain kinds of grass can easily be undertaken and carried on in the mofussil by agriculturists in their spare time, if Government starts these industries for demonstration purposes in districts where timber for matches and grass for oils are available. Similarly, spinning can be encouraged and improved by making grants from Government to associations that are interested in it.

The industries pointed above can be undertaken by tenants in their spare time with advantage. The industries pointed out by me except gur-making and garden produce will not require much capital. For gur-making certain amount of capital at a cheap rate should be made available. There are no credit facilities at present existing except where the agriculturist taking up these industries is a member of a co-operative society. The credit given by such society is also not sufficient. There should be credit facility by Government for the encouragement of such industry on the same lines as for improvement of land.

QUESTION 7.—The Imperial Bank of India and the other joint stock banks and indigenous banks have no connections with co-operative banks, except that some of the co-operative banks have been allowed credit by the Imperial Bank to certain extent, while the surplus funds of the co-operative banks are kept at low rates of interest with the Imperial Bank.

The co-operative banks as at present constituted are not intended for giving long-term loans. Their capital is mostly derived from deposits and is more than what they need for short-term loans. As the deposits vary from one year to three years, generally this money cannot be locked up in long-term loans. For the proper improvement of agriculture it is necessary that the expenses for capital should be reduced. The tenantry is heavily indebted owing to constant failures of crops and deterioration in the productive power of lands. Unless mortgage banks are started, there is no need for funds in the co-operative movement. There is no competition between the co-operative and the joint stock banks except in matters of deposits in big cities of the province. Yes, to encourage co-operative movement facilities are necessary. The inclusion in Trustee securities of the debentures of provincial banks will help in the collection of capital which will be required to finance mortgage banks. The co-operative banks have not at all touched the small traders and industrialists. Except a few societies no such societies have yet been organized in the province. The experience gained so far of industrial societies have not been encouraging. The co-operative movement has not met the full requirements of tenants. The workers have rather been more cautious than was necessary in financing co-operative societies in the Central Provinces except in one or two districts. The case in Berar has, on the contrary, been different. There the individual loans have been very high and it has not been found impossible to recover them. The co-operative banks are not fitted to help the traders and industrialists as they have no expert advice available to them in forming and managing such societies. This work can be undertaken by them only if Government provides the necessary advice and supervision. The courts in this province were sparing the use of the provisions of the Usurious Loans Act. The courts should be required by the Judicial Commissioner to make use of the Act in all cases

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where one of the parties is an agriculturist and the other is a professional money-lender. In no case the court should allow decree for a sum which is more than twice the money advanced.

I had not looked into the English Money-lenders Act or the proposed Money-lenders Act for the Punjab and am not therefore in a position to give any opinion on it. I, however, feel that the Usurious Loans Act, if properly applied, may meet the requirements of the case.

Part B.

QUESTION 1.—There are, really speaking, no properly constituted indigenous banks in this district. There are, however, a number of sowkars who lend out money to others. The dealings of respectable firms are generally straight, but their rates of interest except for mahajans are generally high.

QUESTION 2.—The mahajans make advances to traders and merchants on hundis and *sarkhat* having regard to their credit. As regards the agriculturists, the mahajans advance in kind and in cash also. The rates of loans in kind are generally 25 per cent. The rate of interest on cash loans varies from 12 to 24 per cent. Such malguzars whose credits have not been lowered by constant borrowings and overdues can get loans on mortgages at 9 per cent. The mahajans, however, try to restrict their dealings to villages where they already have business or the places near about their own villages.

QUESTION 3.—Generally, the capital which is invested by the mahajans in loans is their own. In case of emergency they also take up temporary loans from other mahajans. The rate of interest on this varies from 6 to 9 per cent.

(b) The dealings of the mahajans are confined mostly to villages round about their own places. In exceptional cases like the Singhpur, mahajans the dealings extend over the whole district.

(c) Their private expenses are generally low and the expenses in connection with their business too are not heavy. Their living is very simple and their savings are considerable, and in a few years if some money is once piled, it increases very rapidly. The history in this district of the Khulari Pethis, the Singhpur mahajans, the Telung family of Barmhan, the Pallwals of Chawarpatha are evidences of indigenous banking that have arisen rapidly.

(d) As a matter of fact, the indigenous bankers have no connection either with each other or with any of the countries' banks.

(e) The mahajans in big cities who carry on business have connections with the Imperial or joint stock banks. They are mostly sarafs and grain merchants. The Imperial bank and the joint banks do not lend money on long-term loans. Their dealings are for short-term either on personal security or stock in trade. They do not thus afford any facility to mahajans carrying on money-lending business and thus the agriculturists do not get any advantage from them either directly or indirectly.

QUESTION 4.—The instruments for credit purposes are either hundis or *sarkhats* or promissory notes. The credit hundis are payable after the agreed time and is called "Muddati" hundi in commercial circles. It is for short-term loans which do not exceed one year at the most. Interest is deducted in advance and at maturity the face value of hundi is repayable. Such hundis are also used for raising money from joint stock and Imperial Banks as well. The banks accept hundis only for recognized clients or when endorsed by such clients. The traders and merchants who have not dealings with such banks or who are not recognized by these have to go to one who has credit with such banks and he charges his commission for endorsing.

QUESTION 5.—The indigenous bankers advance loans on personal credit and against property. The loans advanced on personal credit are either on bonds, *sarkhats*, *khatas* or hundi. The advances on *khatas* are made only to approved parties with high credit in the market. The advances on hundis are made to firms or persons with established business, while on *sarkhats* and bonds to ordinary persons. Cash credits are also allowed by high banks to their constituents in relation with their business and it may be drawn by hundis or taken in cash. These are all short-term loans except those on bonds or *sarkhats* which may be for periods fixed by contract between the parties.

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The indigenous bank or bankers get their funds from deposits from creditors, from other banks or bankers when required in addition to their own capital. The rates of interest vary in various places and according to the demand for money, but they are generally between $4\frac{1}{2}$ per cent and Rs. 6-12-0.

No.

No.

QUESTION 6.—The agriculturists have to pay from 12 to 24 per cent to indigenous banks on advances taken by them.

The rates would be lowered by agriculturists forming into registered societies with joint liability.

The reduction in rates of interest would no doubt confer some benefit on agriculturists but cheap money alone will not help them as long as they are not relieved of the old debts and heavy interest charges which they have to pay on it and the yield from land does not rise or the burden on the land which is heavy is not lowered.

Better agricultural implements and agricultural improvements require capital investment and knowledge to use them. Both sufficient capital and education are therefore required and the lot of the agriculturists cannot be bettered by patchwork here and there such as providing small amounts on comparatively lower rate of interest.

The persons carrying on money-lending should be required by law—

(a) to keep regular and clean accounts,

(b) to allow copies of their accounts to clients when demanded,

(c) they should not be permitted to keep on loans for a long time and accumulate interest, and

(d) law be enacted whereby interest exceeding principal should not be decreed. To see that the law is not defeated the courts be authorized to go into the history of the debts and open up accounts to find out the principal advanced.

QUESTION 9.—In my opinion the net return to indigenous banks or bankers would not be more than $7\frac{1}{2}$ per cent on capital investment.

QUESTION 10.—No. They are not able to meet all accommodations.

QUESTION 11.—No. There is dearth of capital at least in this district.

(b) EVIDENCE OF WITNESSES WHO FURNISHED WRITTEN STATEMENT
AND WHO WERE ORALLY EXAMINED.

**MR. K. B. MISRA, Honorary Secretary, Co-operative Central
Bank, Limited, Hoshangabad.**

Reply to the Questionnaire.

QUESTION 1.—(a) Cultivators, as a rule, generally borrow grain for seed purposes and other expenses incidental to agriculture are met with out of the outturn or from their own private savings.

(b) Permanent improvements are affected only by those agriculturists who are well-to-do and they do not run into debts for this purpose. Government loans which are ostensibly given for improvements are utilized for paying of any pressing demand of creditors and in marriage celebrations, pilgrimages, anything in short except the purpose for which it is taken.

(c) For other special needs cash and grain are both borrowed from money-lenders and, if necessary, from the co-operative societies or even from Government under one pretext or another. The general rule is that an agriculturist borrows money of false pretences.

The rate of interest usually charged on cash loans is 12 per cent per annum, even without any security. There are also instances of lower and higher rates of interest, but they are more or less in the nature of exceptions than general practice. For a small loan, especially in the case of grains, standing crops are sometimes hypothecated. In case of grain dealings, interest charged in kind is 25 to 50 per cent per annum. The loans are given at a yearly rest.

In this district the two main sources of agricultural finance are co-operative banks and professional money-lenders and sometimes merchants. Government aid is confined only to taccavi loans and agricultural improvement loans. But this may amount to 1/1,000 of the floating money in the market. Other agencies are unknown in this part of the district.

It will be highly speculative to jump upon any figure large or small without any statistics for a guide; it will not be rating it too highly to say that one crore of rupees is annually required for the purposes mentioned in the questionnaire.

Grain worth about three lakhs of rupees is advanced annually in the Hoshangabad tahsil. The terms of advances are already given above.

The only two defects in the present system are that the agriculturists are at the mercy of money-lenders and grain dealers and have to submit to the usurious rate of interest, namely, 25 to 50 per cent per annum, and the quality of the seed advanced is also not good.

A co-operative grainery banking society should be opened on the line of the co-operative credit societies and the rate of interest which should not exceed 12 per cent and the grain should be of best quality possible. The present indebtedness of the peasantry is due more on account of grain debts than of cash transactions. If separate grain-advancing societies cannot be opened, then it should be one of the primary duties of the existing banks to advance grain just as it is advancing money only today.

Co-ordination cannot be expected in the very nature of things and money-lenders in a body are trying their level best to discredit the co-operative movement and are putting pressure on their debtors to have nothing to do with the co-operative movement.

QUESTION 2.—The principal methods of marketing agricultural products in this district are—

(a) Agriculturists take their products to the nearest market for sale.

(b) Grain merchants approach the agriculturists and purchase the crop on the spot.

(c) Grain merchants dole out money two or three months before the harvesting season and realize their money with interest at cheap rates from the standing crops.

As regards cotton, some merchants from outside the district get it exported through their agents. Some kind of fruits also likewise command sale in distant part of the country.

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The marketing of produce is a matter which cannot be controlled, except through highly paid efficient agency which cannot be available unless the co-operative banks have got 2 or 3 crores of rupees at their disposal. If such a thing is possible, agents will have to be placed in every patwari circle and at every Revenue Inspector's circle will be the supervisor over whom will be four general supervisors and two managing directors and one general director of the position of an Assistant Commissioner. The ministerial and menial staff will be in equal proportion. Cartage and road facility play an important part in the marketing of products. If the whole tahsil or district has pucca roads, motor vehicles can collect the products in a pool in a very short time and the market rates can also be reasonably fixed. At present the rates are very fluctuating in neighbouring places dependent as they are, on the sweet will of the traders partly influenced by the rate prevailing in emporiums like Bombay and other places.

As regards the part played by different classes of banks and traders, I have already explained it above.

There are practically no facilities except that merchants issue hundis in the name of other firms in Bombay, Karachi and other places and there are such stations as Itarsi, Banapura Harda and Piparia where merchants take money in cash and issue hundis to other places after charging *hundawan* which is from anna one to six per hundred.

The different classes of hundis in this part of the country are—

- (1) Darshani hundi.
- (2) Muddati hundi.

One suggestion is that every co-operative bank should have some money in investment at Bombay and other places and it should be provided that hundis from co-operative banks should be credited to the extent of double the investment. This will popularize the co-operative movement and will bring merchants to the door of the co-operative bank. This will also exercise some influence on the marketing of the grain products.

Hundis as a rule, which are being issued, are not discredited. They are generally held by commission agents and middlemen. Railway receipts are the only documents so far known, on the credit of which money is raised.

Kind of crop.	Price per acre.
Wheat, gram and cotton	... Ra. 50 to Rs. 100
Juar, rice, tilseed and such other products	... Ra. 25 to Rs. 54

(a) If a land is being sold for arrears of Government land revenue Rs. 10 to Rs. 20 per acre is the general price at which lands are knocked down.

(b) In execution of civil court decree, land fetches generally half the proper price.

In case of private negotiations full price and sometimes more than full price has to be paid.

QUESTION 4.—The only impediment to mortgage of holdings is given in sections 6 and 12 of the Tenancy Act. As regards the mortgage of sir fields, the previous sanction of the Sub-Divisional Officer operates as a restraint on free transfers, but these are salutary checks and should be retained. As regards villagea, there is no impediment except that provided by the Land Alienation Act or by the provisions of the Land Revenue Act with regard to protected status.

The Central Provinces Land Alienation Act makes any sort of land owned by aboriginal tribe non-transferable, except to a member of the same tribe. This Act is in force in the Sohagpur tahsil of this district. All these restrictions noted above should be inoperative in case of transfers in favour of co-operative banks.

There are no mortgage or agricultural banks in this district. The mortgage banks or agricultural banks should be made a part of the present co-operative banks. Two independent institutions will not work for harmony and they may adversely affect the co-operative movement. But if both of them are blended in one and the agency is the same, the movement would take the wind out of the sails of the money-lender and the grain-dealer. Besides, landholders themselves and tenants who are really in need of money will have their requirements satisfied out of these banks and litigation will also fall.

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The proprietary title which is vested in malguzars should not be disturbed. It may be that the malguzars stand as a middleman between the Government and real cultivators of the soil still, the system has taken root in the country and owes its origin to pre-British period. Any disturbance in the system will be a revolutionary step and will not be viewed with favour in any part of the country. The only suggestion is that persons who are transferees of land mortgaged with the bank or who in any way claim an interest in the said land be amenable to the jurisdiction of the Registrar and of the liquidator. It should further be provided that in default of their agitation of their claims before the Registrar or the liquidator, as the case may be, their claims will not be recognized in the civil court.

No other suggestion can be made with regard to any improvement in record of rights and title of ownership under the present law of land.

The working capital of the proposed mortgage bank be derived 50 per cent from deposits, 25 per cent from shares and 25 per cent from central institutions. Debenture bonds may be resorted to in case of emergency to the extent of 15 per cent of the total capital. Government can never be at a loss since the Government would advance money to the extent of 15 per cent of the capital of the bank on security of which money would be advanced.

Oral Evidence.

Jubbulpore, the 22nd March 1930.

Chairman: You have stated that the marketing of produce cannot be controlled unless the co-operative banks have two or three crores of rupees at their disposal. How do you propose to raise this money?—From the profits of the banks and from Government help.

You say that the restrictions with regard to transfers should not operate in the case of co-operative banks. Why is that?—The co-operative banks will not be discredited and they would not lose much as they are losing now. At present co-operative banks lend money on mortgages. Nowadays the policy of the movement is that of consolidation. By this I mean that the banks recover the advances made by sale of land of the members who are defaulting. Previously, it was a period of expansion and we made advances without looking into the real assets of members.

Rao Bahadur M. G. Deshpande: Since how long are you an office-bearer of the Hoshangabad Central Bank?—Since the last six or seven months. Before that I was only a director of the bank.

You have said that the co-operative banks are keen on recoveries. Is your bank recovering all its advances?—There has been a total failure of crops this year. Last year, we recovered a full recovery of more than a lakh. Before that there was not a single recovery, because the honorary workers had not supervised properly.

What is the rate of interest allowed on deposits by your bank?—Five and 6½ per cent.

What is the rate of interest to your societies?—12 per cent.

The rate of interest charged by your bank has been the same since the bank was started. Is it so?—No. There are certain societies on which 10 per cent is charged and there are others on which 9 or 8 per cent is charged.

Do you think that your Central Bank will be able to reduce the rate of interest below this?—At present there are no hopes.

Professor A. C. Sen Gupta: You are Secretary of the Central Bank, Hoshangabad, and you are also a malguzar?—Yes.

We have heard complaints that money-lenders often lend money with a view to getting the best lands out of the hands of tenants. Do you agree with this view?—I agree with this view.

Chairman: Is it more common in the north of the province or in the south?—I think it is common both in the north and in the south of the province.

As regards the granting of rights of transfer to occupancy tenants, are you in favour of this?—Yes, I am in favour of this.

A complaint is being made that if we grant these rights, many of the tenants would lose their lands. Do you agree with this view?—No. Tenants would not lose their lands.

Can you tell us why the co-operative movement has become unpopular now?—In the beginning mistakes were committed and loans were made to all members without enquiry into their paying capacity. Now we are doing the business in a better way. Our rigid recoveries have made the movement unpopular. If the rate of interest is reduced, the movement will certainly become popular. Considering the failure of crops and the indebtedness of the tenants, I think it is very necessary to reduce the rate of interest.

For how many years have you had crop failure?—For the last three years. We had crop failure owing to Nerbudda floods in 1926 and the last two years were also bad.

Where is your village?—It is in the Babai circle, about 16 miles off from Hoshangabad.

Is it a good soil?—No; it is light soil.

Do you grow wheat?—I personally do not grow.

At what rates do you sublet it per acre?—I am giving it very cheap, because the place is habited by criminals.

What do you charge them?—I have got about 50 acres of land and I sublet it for about Rs. 300.

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What do you think a fair rate would be if you charged the full price?—It would be about Rs. 25 per acre.

What crops do they grow there?—Gram and wheat.

Do you think the tenants make a profit of more than Rs. 25?—Nowadays they are losing.

What do you do at Hoshangabad?—I have got a workshop for making winnowing machines.

Where did you get the skilled workers?—At first there was an industrial workshop which used to manufacture those machines. When that concern went into liquidation, I engaged the men who were in that workshop.

Are you making a profit in your business?—I am losing, because there is no sale.

What are your principal difficulties with regard to industries?—I want sale.

Do the Agriculture Department help you in the sale of your machine?—Yes. But when they do not receive applications, they cannot help.

Do they do propaganda?—Yes: they do.

Has your machine been recognized by the department?—Yes. My machine and one other machine were put to test and my machine was awarded a certificate.

What is the price of your machine?—The price is Rs. 125 for corrugated sheets and Rs. 110 for iron sheets.

Do you make any other agricultural implements?—Yes. I make ploughs. There is another firm recently started at Semri.

Do you think you can make cycles?—No. We will require a very big workshop as the work will have to be done by machines.

Can you suggest any other industry which could be started at Hoshangabad or nearby?—Mills may be started. There are big Seths like Seth Nanhelal who can help Government.

Is there any cotton in that tract?—Yes.

Seth Narsinghdas: You have referred to the rates of interest and *sowai* system. I believe those are the rates that are charged by money-lenders and *malguzars*. Is it not?—Yes.

Can you tell me what is the rate of interest charged by Central Banks?—Central Banks charge 12 annas.

You have stated in the memorandum that cultivators are at the mercy of *sowkars*. The banks charge Re. 1, while the *sowkars* also charge thereabout. How do you support your statement in that case?—The rates charged by *sowkars* are higher. They charge Rs. 2 for loans below Rs. 1,500 to Rs. 2,000, Re. 1-8-0 up to Rs. 5,000 and Re. 1 only when the loan is more than Rs. 5,000.

You advocate an enactment for fixing the maximum rate of interest. Do you not think that if any enactment is passed, the money-lenders will still be able to evade the law by making the debtor write a bond for more amount?—Yes.

You have also stated that money-lenders bring pressure upon debtors not to go to co-operative societies. What kind of pressure do they bring?—They make propaganda.

If the money-lenders charge higher rate of interest and the co-operative society the lower, how can they carry on a propaganda?—In old days when this movement was started, the only thought of the leaders of the movement was to expand the movement and they did not care to choose the members. As a result of that many undesirable persons joined the movement and these persons are the tools of money-lenders to carry on a propaganda against the co-operative societies.

Do you admit that their propaganda would have no effect if the cultivators were not ignorant?—Yes.

Chairman: Thank you.

**MR. GOVIND PRASAD, Extra-Assistant Director of Agriculture,
Hoshangabad.**

Reply to the Questionnaire.

1.—Agricultural credit and credit facilities for small industries.

QUESTION 1.—(a) Cultivators generally borrow money for expenses in cultivation and also grain for eating purposes which they usually pay up from their next harvest.

(b) Permanent improvement is done by big tenants and they generally borrow money from the money-lenders and at times by taking loan on taccavi or from co-operative banks.

(c) For other needs and incidental charges cash and grain are both borrowed from sowkars. Loans are also taken from Government or from co-operative banks on many pretexts.

The rate of interest on cash loans is from 12 to 24 per cent per annum. For smaller loans 18 to 24 per cent per annum is charged. In case of grain dealings interest charged in kind is from 25 to 50 per cent per annum. The loans are given at a yearly rest.

The loans are generally taken by signatures on *bahis*, on bonds or by mortgaging the property.

QUESTION 2.—The principal methods of marketing agricultural products in the district are—

Agriculturists take their produce to the nearest market for sale and dispose it off immediately.

Merchants approach the agriculturists in their villages and purchase the produce on the spot.

Grain merchants or mahajans dole out money at times to needy tenants sometimes before the harvesting of the crop and realize their money with interest from the sale of the produce.

There is no possibility for co-operative sales. The illiteracy of the people come in the way of forming any such society. There are no facilities for the cultivators to take their produce to the marketing centres. If temporary advances are given to them to meet their immediate needs and better communications are provided, the total produce of villages can be collected various centres and can be disposed off directly at good prices without the help of the middlemen. The cultivators can thus get better prices for their produce. No help is given by banks or by mahajans.

QUESTION 3.—Value of land.—Wheat, gram, masur, linseed, and cotton are grown on superior land and they are sold from Rs. 50 to Rs. 100 per acre in Hoshangabad, Rs. 100 to Rs. 200 in Narsinghpur, Rs. 50 to Rs. 80 in Saugor district. Juar and other minor crops such as rice, til, etc., are grown on inferior land and such lands are sold from Rs. 25 to Rs. 80 according to nature and class of soil.

The value of land depends on nearness to marketing centres and its situation in a fertile tract or otherwise. In places cut off by communications and in the far interior of the district the land is sold at a cheap rate—

(a) If a land is sold for arrears of land revenue, it is sold somewhat cheaper than in the ordinary way.

(b) In execution of civil courts decrees the land fetches a bit better price. The decree-holder is compelled to take the land for the decretal amount.

(c) In case of private negotiations full price and sometimes more than full price has to be paid.

QUESTION 5.—The loans mentioned for various purposes are either taken from local mahajans or from big money-lenders.

By not paying interest the principal is doubled within five or six years.

Yes, many old agriculturists have lost their property and are now sub-tenants.

In irrigated areas the crops are protected and they seldom fail.

MR. GOVIND PRASAD.

In places where there are always famines the cultivators leave their holdings and many of them leave their homes and settle in good fertile areas as labourers.

In areas which never suffer from drought the financial position of the tenantry is always good, but they have to borrow money not for the expenses of ordinary cultivation, but for the large expenses on social matters on account of a high standard of living.

If such state of affairs continues, it will necessarily tell on agriculture and improvement will not be effected.

QUESTION 6.—Subsidiary industries—

The following subsidiary industries exist on a modest scale:—Gur-making, gardening, cotton-ginning, weaving and dyeing.

The only practicable method which can be suggested is that vocational schools may be opened at convenient centres to teach the boys to take up to these and to other industries. If the boys are trained from their infancy, they will be able to do appreciable good to their professions.

The enterprise which can be suggested and which a tenant can very well do at his leisure time is poultry-farming, but it is not applicable to all except few on account of caste restrictions. Sheep and goat-breeding can be done by each and every tenant in the jungly tract.

Oral Evidence.

Jubbulpore, the 22nd March 1930.

Chairman: You are an Extra-Assistant Director of Agriculture. Is it not?—Yes.

You have also served in the Chhindwara district?—Yes.

At what other places have you served?—Mostly in the Nerbudda division.

What would you consider to be the principle cause of indebtedness of the agriculturists?—Uncertainty of agriculture owing to bad years is the chief cause.

Would you kindly tell this Committee what steps the Agriculture Department have taken in your circle to make agriculture less insecure?—Government have done nothing by way of improving irrigation facilities, etc., in my circle. They have also not taken any steps to improve the breed of cattle.

You said that the Irrigation and Veterinary Departments have done nothing. What has Agriculture Department done to improve agriculture?—They have shown them better methods of farming. For instance, we are trying to give them instructions to sow kharif crops in a line.

What action have you taken to improve the outturn of wheat?—We have distributed to cultivators good kind of seed. We have distributed to them rust resistant wheat for seed.

A complaint has been made to us that the rust resistant *sharbatia* wheat requires the soil to be wet, practically under water, and that in years of scanty rainfall it does not give a good outturn like *pissi*. Is it true?—I do not think it is correct.

Do you think that in ordinary years it will give good outturn?—Yes. I may inform the Committee that the *malguzars* of Hoshangabad have informed me that *sharbatia* wheat is the best for seed.

Do you think that the Hoshangabad outturn is correct?—I have got figures for the last 12 years and I think the outturn is about 100 lbs. higher than we usually get.

Where did you get that?—At Powarkheda.

I suggest to you that if the figures of the Agriculture Department are to be taken as correct, there must be either of the three reasons that I will just mention. Firstly, that all the Government experiments which have been held during the last 30 or 40 years are wrong, or, that there is some dishonesty in the Agricultural Department figures, or, thirdly, there is some difference in the methods carried out by the Agriculture Department and those carried out by the ordinary agriculturists?—Do you agree that one of these three conditions are there?—No. I will say that our figures are correct.

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Have you consulted the head of your department before making this statement?—No; I have not consulted.

Have you made it on your own responsibility?—Yes.

Rao Bahadur M. G. Deshpandé: Can you give me an idea about wheat seed necessary per acre?—From 100 to 120 lbs. per acre.

Chairman: Can you tell us the total expenditure of cultivation per acre?—Rs. 15 to Rs. 20 per acre.

What would be the value of 740 lbs. of wheat?—It would come to about Rs. 25.

Therefore, the profits from wheat cultivation in Hoshangabad district will vary between Rs. 10 to Rs. 5 per acre. Is it not?—Yes.

How can you explain then that the price of land is Rs. 100 or Rs. 150 per acre?—I have not said Rs. 150. According to the nature of rights in the land, the land is sold from Rs. 50 to Rs. 100 per acre.

Did you make any enquiries about the price?—Yes.

From whom?—From those who buy or sell land.

Have you studied the Government records of sales?—No.

The soil of Powarkhera farm is much lighter and therefore in ordinary years, without any embankment, the crop in the Powarkhera farm is much more likely to give lower outturn. Under these circumstances do you think it is right to take outturn from Powarkhera as typical of Nerbudda valley?—I am not taking it for the Nerbudda valley. In the Hoshangabad district, there are very few places which are of a superior kind.

Would you think the outturn of the Narsinghpur district is correct?—The average outturn for the embanked area is correct, but for the open area it is a bit higher.

How many crop experiments have you made in Narsinghpur district during your whole life?—I have done about 20 experiments myself, but my assistants do the experiments and I receive results from them always.

Have you any reason to believe that crop experiments made by agricultural assistants drawing Rs. 80 or Rs. 100 per mensem are more correct than the experiments made by Assistant Commissioners and Deputy Commissioner?—No.

Seth Narsinghdas Daga: You have stated that many cultivators have lost their property and are now sub-tenants. What is the reason for this?—I cannot definitely say, but they must have lost their lands because they could not repay their debts. Many have gone to Nimar.

What must be the reason for debt?—They must have had bad years in which they must have been required to borrow.

You say that Banks and Mahajans do not give temporary advance to cultivators to meet their immediate needs and to help them to secure better prices for their produce. Would you explain this?—At present cultivators are forced to sell their produce as quickly as possible to meet immediate needs. If they could be advanced to the limit of their immediate needs, they can keep their produce till better prices prevail. I am in favour of co-operative sales and advances to cultivators on their crops.

You say that the rates of interest on cash loans is from 12 to 24 per cent, for smaller loans from 18 to 24 per cent and for grain 25 to 50 per cent. Is this the case with sowkars only?—These rates are levied both by malguzara and mahajans, but not by Government and co-operative societies. As far as I know, mahajans do not lend small sums below Re. 1 per cent. For big loans, the rates may be 8 annas and even less. The rates I have quoted are with reference to secured and unsecured debts.

Chairman: Could you tell us how you have arrived at the cost of agriculture per acre of wheat?—I submit herewith a statement showing how the cost is made up.

Chairman: Thank you, good morning.

MR. GOVIND PRASAD,

MR. PURUSHOTTAMLAL TRIPATHY, Malguzar of Malkhedi,
district Hoshangabad.

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

QUESTION 1.—Present system of obtaining finance:—

- (a) Government taccavi, from co-operative societies and bankers.
- (b) From Government, co-operative societies and bankers.

The rate of interest is from 8 annas to Rs. 3-2-0 per cent per mensem. At times interest is charged from Rs. 6-4-0 to Rs. 12-8-0 per cent per mensem.

The period of the loan is from six months to one or three years.

Standing crops, land, houses and cattle are mortgaged, or ornaments and solvent sureties are taken by way of security.

The co-operative bank plays some part in financing agriculture, but it is not adequate.

Grain advances are given on condition of return by *sawai* or *dedhi* (i.e., by 25 per cent or 50 per cent profit). At some places more *badi* than this is taken.

The reasons are that—

(1) Seed is not available in times of need, (2) seed is uncleaned at the time of issue, and (3) defective measurements at the time of issuing. While at the time of receiving it back grain is cleaned. It is over flowing while measuring and some extra grain is taken by way of charges for measuring, etc.

As grain is taken in advance there is loss in its market price at the time of harvest.

There is need of some rules being made for grant of grain advances in time.

There is no co-operation among various credit agencies and there is scope for improvement in that direction.

QUESTION 2.—The present method of marketing principal crops is by taking them on bullock carts to the bazar. The merchants and traders also take them from threshing grounds.

There are possibilities of forming pools and of co-operative efforts with Government aid.

There are possibilities of operating licensed warehouses. But in reality there is need of Government help in all these things.

QUESTION 3.—The value of land per acre for different kinds of crops is from Rs. 50 to Rs. 100.

(a) Does not fetch proper value.

(b) The loss under this head is lesser than under (a).

(c) There is generally no loss on the contrary the seller of the land takes more than the actual value of the land, at times.

QUESTION 4.—Occupancy land cannot be mortgaged. It can only be sold when the agriculturist surrenders his land to the malguzar and the latter gives his consent to lease it. There is legal impediment to the disposal of absolute occupancy holdings without the malguzars consent.

The co-operative bank provides loan for a term of five years only.

An institution for provision of long-term credit could be established by the joint effort of malguzars and agriculturists on co-operative basis. Its working capital should be derived from (a) deposits, (b) funds from central institution and (c) from debenture bonds.

QUESTION 5.—Only one village Malkhedi (No. 257) which has an area of 200 population, 940 malguzars, partners 3, malik-makbuza 1, absolute-occupancy
MR. PURUSHOTTAMLAL TRIPATHY.

21, occupancy 35 and total number of agriculturists 61, is indebted to the extent of Rs. 32,282.

	Rs.
(a) The amount of debt with land as security which is in the form of a registered mortgage.	5,950
(b)	
(c) Amount of debt secured against any other assets	1,343
(d) Debts without any security	19,884
(e) Grain advance 170 khandis	5,100
The purposes for which the debt was incurred are:—	
(a) Repayment of earlier debts	5,952
(b) Marriage and other social occasions	6,618
(c) Famine and other kinds of distress	
(d) Payment of land revenue and rent	298
(e) Seeds and manure	3,755
(f) Improved agricultural improvements	
(g) Sinking of wells and agricultural improvements	1,291
(h) Purchase of land or bringing into cultivation fallow lands	1,430
This debt is mainly taken from indigenous bankers and professional money-lenders.	

The indebtedness increases at compound interest by 25 per cent annually.

Among other causes of indebtedness may be cited the extravagant expenditure and luxurious habits of the people.

The rates of interest charged from Rs. 10-8-0 to Rs. 34 per cent per annum calculated from date of contract to end thereof. The method of enforcing payment of the debt is by instituting a suit only.

There is a difference in the condition in irrigated tracts, the famine zone and area not generally liable to famine.

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

QUESTION 6.—To reduce Government taxes and to help any kind of industry use of spinning is good at present. There is no facility; co-operation is the best method; Government system or in co-operation with Government.

QUESTION 7.—It is very necessary to give copies of accounts.

II.—Indigenous Banking.

Such of the bankers as do some other business besides money-lending accept other articles in view of the money advanced by them.

Some bankers influence the agriculturists to surrender their grain to be sold and thus realize their dues.

QUESTION 6.—The rates of interest charged by the indigenous bankers are from 1 pice to 2 annas per rupee per month.

The reduction of rates of interest would confer great benefit on the agriculturists, increase their resources and would bring about on all round improvement.

QUESTION 7.—There is a prejudice against the indigenous bankers. These bankers are not sufficiently protected in law. There is necessity of legal facilities being extended to them. The dealings of this class of bankers are conducted on sound lines in some places, but not generally so.

The defects in the dealings are due to their not explaining properly the accounts to the debtors, making deductions of any kind, making the debtors write the deed according to their own choice and saddling them with the expenses for stamp, writing charges, registration fees, etc., etc.

The remedy for all this is that whatever transaction takes place between the bankers and the debtors its one copy should be supplied to the debtor by the banker which should be regarded as equally important as the original.

QUESTION 8.—The indigenous banking system in India can be improved and consolidated on co-operative lines.

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The attitude of the indigenous banking community towards the introduction of any measures for regulating their operations and for giving publicity to the same will and ought to be favourable.

QUESTION 10.—The indigenous banks and bankers are able to meet all demands for accommodation in some places.

QUESTION 11.—The indigenous banking system should be linked with the central money market and provincial capital on co-operative basis.

It would be advisable to establish a branch of the joint stock bank or a branch of a central reserve bank, or a local bank with local directorate in each district and to connect with it the indigenous banking system.

Such a bank could inspire confidence of the indigenous bankers if both are combined on co-operative basis.

The competition of such a bank with the indigenous bankers can be avoided by mutual tolerance and good will.

QUESTION 12.—Yes, there is a large amount of money in some places in the district in the hands of indigenous bankers which does not find employment throughout the year.

Yes, it would be beneficial if this money could be made available in the district.

III.—Investment habit and attraction of capital.

QUESTION 1.—The existing banking resources in the province are agriculture and business.

The means or institutions in existence for encouraging savings and investment habit is the co-operative society only.

Public are not provided with full facilities for investment of their savings. Existing facilities can be improved or extended in the smaller interior places.

Instead of burying gold and silver under ground, the use of money in business on co-operative lines can increase its productive value.

QUESTION 2.—Savings banks afford all possible facilities to the educated public.

It is only the educated classes who resort to such forms of investment.

It is only the spread of education that can attract other classes to resort to invest their money in savings banks.

QUESTION 3.—The people of this district spend money that comes to their hands by sale of produce, etc., on agriculture, in the purchase of bullocks, in marriage and other ceremonials and in the preparation of ornaments which they keep with themselves in order that they may be useful in times of necessity.

The farmers lend money to their fellow-agriculturists on condition of repayment in grain with profit or with interest.

A prosperous year is an impossibility these days. If fortunately there is any, the surplus money is spent in the purchase of bullocks, in addition to the needs of cultivation, owing to the absence of bullocks these days, much of the surplus money is spent on their purchase and sometimes debts also have to be incurred for the purpose.

QUESTION 4.—The use of vernacular (Hindi) script in banking is very necessary.

QUESTION 5.—I support the view that the banking and investment habit in India is of very slow growth.

The causes that can be attributed are indifference and want of education.

Propaganda is the only means of educating the people to invest their savings in productive undertakings.

MR. PURUSHOTTAMLAL TRIPATHY.

Oral Evidence.

Jubbulpore, the 22nd March 1930.

Chairman: Do you grow both rabi and kharif crops in your land?—Yes.

Do you get good crops?—No. Our crops are many times destroyed by the Nerbudda floods. We had good crops year before last.

How much seed do you require for wheat?—Five *kuraos* per acre.

How much crop do you get?—We get six-fold if it is a good year; otherwise two-fold. At times we get four-fold.

Do you do money-lending?—No.

You say the debt in your mauza amounts to Rs. 32,282. How did you find this out?—I have taken it from the information which was collected for the Banking Committee.

You have also stated that Rs. 6,500 were borrowed for marriages. Why do they take so much loan for marriages?—If cultivators do not get good crops they have to borrow money for marriage purposes.

Did not the people borrow money to this extent in old days?—No. The debts have increased owing to Nerbudda floods.

Why do not cultivators reduce their expenditure?—They reduce the expenditure if they do not get any loans.

Do you think that money-lenders do underhand dealings?—Yes.

What underhand dealings do they do?—They give loan and then they never try to recover it until the amount is so huge that they get the land in return.

You say that there is no profit from agriculture. Why then do the sowkars want land in payment of the debt?—They make improvements in the land and make it profitable.

You state that there is no possibility of a good year now. How do you know that?—We are getting bad years after bad years. It shows that it is improbable to get a good year.

Do you think the co-operative movement is in the interests of the agriculturists?—Yes.

What is the advantage?—Cultivators do not lose their land.

Does your society do good business?—Yes.

Do you think it will be more advantageous if the rate of interest is reduced?—Yes.

What is the value of land in your mauza?—About Rs. 100 per acre. Only recently Government acquired land in our mauza at Rs. 100 per acre and Rs. 25 *nazrana*. They acquired 32 acres for aerodrome.

Have you anything to suggest?—I would like to suggest that it is most essential that all persons who borrow money from money-lenders should be given some kind of pass book to show the amount of debts standing against them from time to time.

Would you accept the suggestion that patwari should be informed of all transactions affecting the land and he should enter them in the column of *jamabandi*, so that all persons should know what encumbrances are on the land?—Yes.

Chairman: Thank you.

**MR. A. K. GHATPANDE, B.A., LL.B., High Court Pleader, and
Honorary Secretary, Central Bank, Chhindwara.**

Reply to Questionnaire.

I.—Agricultural credit and credit facilities for small Industries.

QUESTION 1.—My answers to the question would mostly relate to the conditions prevalent in the Chhindwara district.

(a) In every village there is generally a well-to-do *malguzar* who carries on money-lending business mostly amongst his tenantry, and he supplies the agriculturists with funds to carry on the necessary expenses of cultivation; such as the purchase of seed grain and bullocks expenses or weeding and other necessary agriculture operations and so on.

(b) The agriculturists do not get any capital for making permanent improvements in their holdings, because their lands mostly are not transferable, and consequently they cannot offer any tangible security to the outside creditor. Improvements cannot be effected because of absence of resources. In spite of their honest desire to ameliorate their economic condition, they are unable to do so for the reasons mentioned above.

(c) After the urgent needs such as food and clothings are satisfied, they are required to face sometimes needs such as the marriage ceremonies, illness in the family, bad harvest, failure of monsoon and so on. Such needs of the agriculturists are also met by the resident *malguzars* or a *Bania* or a *Kabuli* who is invariably found nowadays in every big village. The *Bania* or the *Kabuli* advance money to the cultivators at a very high rate of interest and the result is that the cultivator cannot pay off the debt incurred from the proceeds of the next harvest, and ultimately he is ruined, because his margin of profits is not so big as to admit of such exorbitant charges of interest, after defraying bare costs of cultivation and maintenance. The agriculturists who are the members of co-operative societies obtain finance from the Central Bank, Chhindwara, for the purposes mentioned in question 1 (a), (b) and (c), but the present area in which the Societies are located, being rather limited, very small portion of the tenantry gets relief from the Bank.

The rates of interest charged to an agriculturist vary from 1 per cent per mensem to 12½ per cent per mensem and the period for the repayment of the advances also vary from four months to 12 months from the date of advances. Standing crops, cattle, agricultural house, and other sundry moveables are generally tendered as security for the advances and it is so accepted.

The Government, the Co-operative Central Bank, indigenous banks, professional money-lenders and merchants play an important part in general in agricultural finance. The agriculturists are safe in the hands of the Government and the Co-operative Central Bank, but when they are required to seek their capital from the other bankers, money-lenders and merchants their ruin is imminent. Exceptions may also be found.

I am unable to form an estimate of the capital required for the above purposes, as also the extent of grain advances in these localities for want of proper information and statistic on the subject. Grain advances are made on the understanding that the same be returned at the next harvest at the rate of *sawai* or *deodhi badki* (interest).

On account of the want of proper security the cultivators do not get capital for improving the condition of their lands. Their economic condition cannot be bettered unless they get transferable rights in their holdings or unless they get advances on account of crop loan or those for improvements effected to holdings, because by law a charge on the respective crop or holdings. Credit facilities may also be increased.

There is no co-ordination amongst the various financing agencies except the Government and the Co-operative societies.

QUESTION 2.—People from the neighbouring villages bring their produce to the *ganj* or town market, and sell the same there wholesale or retail as would be found convenient. Ordinarily agriculturists of small means resort to local grain dealers and sell their produce at whatever price offered to them. Generally they cannot afford to wait for securing the highest and the favourable price for their commodities, because they have to satisfy the pressing demands of their creditors. In many cases they are hard-pressed on account of their personal needs of food and clothing, and the payment of the rent instalments to the landlord.

Sales and purchase co-operative societies at important centres in the district would to a large extent facilitate easy marketing, but this largely depends upon

MR. A. K. GHATPANDE,

the accessibility of young, energetic and honest workers coming forward to undertake this work. There is always the dearth of such workers.

There are no existing credit facilities required for financing of produce during marketing. Adat shops or cotton sales and purchase societies or societies of similar nature should be organized in big centres in order to give credit facilities.

Regarding such facilities I do not find any special difference as between internal trade and foreign trade.

Merchants dealing in several commodities try to purchase them at as low a rate as possible and sell them off at highest rate.

Banks are allowed to take advantage of the process of remitting money by remittance transfer receipts for payment of deposits or for granting loans to societies or for sending money to the Registrar to keep up the proper cover. Demand drafts are also in vogue. Merchants also make use of hundis in remitting money to big places such as Calcutta or Bombay. As a matter of course, some commission is charged by the merchant issuing hundis. At present remittance transfer receipts are available only if the amount remitted exceeds Rs. 150. It may be made available for even lesser sums.

Much part is not played by negotiable instruments in the internal trade since hundis or bills of exchange are not in easy approach of bankers of moderate means and credit.

In absence of any industrial bank or Land mortgage bank or Co-operative Central Bank authorized to deal in such exchange business, use of such bills of exchange or cheques is not possible.

The different classes of hundis are "Darshani" and "Mudati". "Darshani" means that which is cashed on production, while "Mudati" means that which could be cashed before the lapse of a particular period.

Sample wording as below:—

निशानी

नंबर.



॥ श्री वितरागायनम् ॥

१॥ सिद्धश्री

महाशुभस्थान

यथायोग्य श्री

श्रीलिखतु

श्री

बाचीजो अपरंच हुंडी १ रुपिया () अखरे

रुपिया

का निमेरुपीया

का दूणापूरा

अद्वेराख्या

प्रास मित्ती

हुंडीपुगा तुरत पीछे नावे साहा जोग

रुपिया

चलनका दिजो. संमत १२७ मीती

ता.

(As on reverse.)

रु.

निमे का निमे रुपिया

का चागुया

रुपिया

कर दिजो.

I have not to make any suggestions regarding the amendment of Negotiable Instruments Act.

Hundis emanating from this district are discounted outside. No brokerage system is prevalent.

There may be very few cases, almost negligible, in which money is raised by transferring instruments of ownership of goods and produce and other documents during the process of marketing.

I have no experience of such transactions, and hence no suggestions to make.

Licensed warehouses proposed in the question would be no doubt useful only to big agriculturists who carry on extensive cultivation, and other proprietors of big industries producing goods in large quantities, but an average cultivator cannot take advantage of such warehouses unless and until he gets sufficient credit for meeting urgent demands from the time his crop leaves his farm till it is marketed and the proceeds realized.

There does not seem to be any necessity of such warehouses, and consequently the question regarding the Government assistance in the matter does not arise.

QUESTION 3.—The price of the irrigable land or lands growing cotton, ranges from Rs. 300 to Rs. 1,000 per acre. The value of lands producing rice, wheat, gram, juar, tur and other minor products ranges from Rs. 50 to Rs. 200 per acre. The value of land depends also upon the nearness to marketing facilities and communications, such as the railway line or the pucca road, and nearness to big trading centres, and also the demand for the land in a particular locality. The price is also assessed with reference to the capacity of land to grow a certain crop.

(a), (b) and (c)—In Government auctions for non-payment of revenue or in civil court sales lands hardly fetch their real price for reasons obvious and best known to all, while in private negotiations price is generally higher except when the needs of the seller are so urgent as to part with the land at any cost.

QUESTION 4.—Major portion of culturable lands being of occupancy tenuré cannot be mortgaged. At present there are no land mortgage banks or other banks giving long-term credit. It is proposed to organize as an experiment two land mortgage banks in these provinces. One at Morsi and the other possibly at Mehker. The capital would be raised by the issue of debentures by the Provincial Co-operative Bank and by inviting deposits from the public and the Government would be responsible to pay interest to the debenture-holders. Land mortgage banks will have its own area of operation, and it would be subordinate to the Provincial Bank. Loan applications from the societies affiliated to the land mortgage bank would be sent to the Provincial Bank for proper scrutiny and formal sanction. Provincial Bank would in no way supply its surplus to the formation of capital of such a bank.

I have not to offer any suggestions regarding (a), (b) and (c) of question No. 4 concerning improvements in the record of rights or simplification of process of foreclosure or sale or reduction of costs of reference in the record of rights.

The working capital for the proposed land mortgage bank should be derived from deposits and debenture bonds as already stated by me and not from funds from central institutions. The funds of the central institutions are not meant for the agricultural co-operative societies. Land mortgage bank would attempt to minimize the indebtedness of big landholders, and not of the average cultivators.

Unless the Government gives guarantee at least for the interest, people will not be forthcoming to purchase the same.

Government will not be put to any loss since the working will be under the supervision and guidance of expert Government officers, and the security offered by the members to the land mortgage bank would indirectly stand security to the Government.

I think the debentures issued by the central institutions should be included in the list of trustee securities. The money would be raised by the land mortgage bank under the heads of (a) and (c) only on payment of interest to them yearly or six-monthly, and the same be invested in societies at slightly higher rate than that paid to the depositors or debenture-holders.

If good and sound security is offered, there is no harm if long-term loans are advanced. It is with this view that land mortgage banks are to be established,

MR. A. K. GHATPANDE.

QUESTION 5.—It is absolutely necessary to have an accurate estimate regarding the existing indebtedness, when we want to devise means for the increase of credit facilities. I am not in a position to give an estimate of indebtedness of any village or district. It is only the Government agency which can supply the approximate figure. A group of villages should be taken as a guide for such an estimate. The Tahsildar of a tahsil should be given the work of supplying the figures. It is a very arduous task and the statistics should be placed before committee for arriving at an estimate of indebtedness under various heads mentioned in the question.

Debts are incurred generally for one or more purposes mentioned in the question.

The major portion of debts incurred is due to professional money-lenders and indigenous bankers. The original amount taken as a loan becomes by compound interest double, triple or even four times according to the length of time for which the principal amount of loan remains unpaid.

The other causes of indebtedness are gambling, liquor, indulgence in opium, prostitution and so on.

The rates of interest have already been given in answer to question 1. The interest is calculated according to the terms agreed upon between the parties.

Debts are realized by obtaining decrees, and by attaching their property. Kabuli creditors use even coercive measures such as beating and so on, and realize their money without resorting to law courts. In many a case lands pass into the hands of creditors, and the original farmers earn their livelihood by labour on their own lands.

I am not aware about the conditions in the irrigated areas or the famine zone, and areas not liable to famine.

Naturally, if the indebtedness increases, the cultivator loses an incentive to improve his lands, and thereby to increase the productive capacity of the land, thus to ameliorate his economic condition.

QUESTION 6.—There are no subsidiary industries as such, but tenants in order to supplement their income from agriculture do take to rope-making, basket-making, hand-spinning, weaving and so on. Big farmers do dairy farming and gur-making. Mostly the agriculturists of the ordinary type utilize their spare time in bringing fuel from the forest, and selling the same in the town market.

In fact there are no industries. Industries cannot have the meaning that there is a collective effect, and a return for the skill displayed in it. In order that they be termed industries, there should be organized bodies, whose duty would be to see that the agriculturist's spare time is utilized in such work, and a better and proper return according to the capabilities is derived to them to supplement the income from agriculture.

Of course trade-guilds or unions would require credit and financial help to carry on the industries, and the Agricultural Department, in conjunction with Co-operative Department, should take the subject under consideration, and the Government should supply the necessary capital for starting such industries. Industries schools would also be required.

Purchase and sales societies would facilitate the work of marketing.

The Government and the co-operative societies are the financial agencies for this purpose.

QUESTION 7.—Many a co-operative banks at the district or tahsil headquarters, wherever there is no branch of Imperial Bank, have no dealings with other banks.

Unless and until the Co-operative Central Banks have got long-term deposits with them, they cannot invest money in long-terms. Business is chiefly carried on the deposits of the depositors. Share capital as compared with the extent of deposits is very small and that alone could be legally invested in long-term loans. The necessity of long-term loans arises only when the money is advanced for satisfying old debts. In cases of advances of seed and other expenses auxiliary to agriculture loans are repayable in three or four instalments.

Besides the share capital, in my opinion about fifteen lakhs of rupees would be sufficient to finance the co-operative movement in this district.

There is no competition between the co-operative bank and any other bank in our district.

MR. A. K. GHATPANDE.

I am not in a position to express any views regarding the possibility and desirability of granting financial concessions with a view to stimulate the growth of the co-operative movements.

I had already mentioned in answer to question 1 that the area in which the co-operative societies are situated in this district is very limited, and consequently a large number of agriculturists and petty dealers do not relief from the Central Bank. A vast field is before us for operation.

Defendants who are represented in courts do avail of the provisions of the Usurious Loans Act, and many a time they are relieved of the harsh and unconscionable bargain.

It would be highly salutary if a legislation making obligatory on the part of the creditors to supply their debtors with the copies of accounts be enacted.

In my opinion the Provincial Bank should not undertake to finance primary societies, because it would go very hard for it to supervise and control. The present system of operation is good.

II.—Indigenous Banking.

QUESTION 1.—There are no indigenous banks in our district. There are indigenous bankers who receive deposits from the public, deal in bills of exchange and lend money to the needy on simple bonds, or on a mortgage, or on the pledge of ornaments. The bankers invariably have got jewellery or cloth shops.

QUESTION 2.—The indigenous bankers in our district assist more than half the agriculturists and traders in financing them in their legitimate pursuits.

QUESTION 3.—In fact there is no organization as such. Each banker starts his own business, and a debtor approaches the man whom he finds as most accommodating.

(a) and (b) I cannot give an estimate regarding the capital invested by them as the volume of business. They do singly or collectively.

(c) As regards expenses it depends upon the extent of business. Approximately a banker carrying on a business of about Rs. 20,000 a year can conveniently do the same with one *munim* and a *rohadya*. His expenses over them would not exceed Rs. 500 a year.

(d) There is no co-ordination between the co-operative bank and the bankers.

(e) Some of the bankers have their deposits with the Imperial Banks, and I am not aware as to what facilities are afforded to them by the Imperial Banks.

QUESTION 4.—This question has been answered already in question No. 2 of part 1.

QUESTION 5.—Loans are granted by the indigenous bankers on *sarkhat bahi*, on bonds, on mortgage securities and on ornaments being pledged.

Terms of interest and the time for repayment are settled between the creditor and the debtor.

They never, to my knowledge, give cash credit.

Indigenous bankers have invariably their own capital to do their banking business. Some accept deposits from the public whereby they meet the demands of their business.

Generally, they do not pay any interest. In exceptional cases they pay from 4 annas to 6 annas per cent per mensem. It is not insisted that advances made by the bankers should be received in commodities, and not in cash. It is only grain advance for purposes of seed are repaid in kind.

It is not a rule that repayments should be made by sale of goods through the creditor, but some exceptional cases may be found if efforts to scrutinize the same be made.

QUESTION 6.—The rates of interest paid to the indigenous bankers vary in different areas. They also depends upon the solvency of the debtor, but usually the agriculturists have to pay from 2 to 3 per cent per mensem.

Rates of interest prevalent cannot be brought down by any organization. It is only by legislation they could be lowered down. Another suggestion is the spreading of co-operative societies.

MR. A. K. GHATPANDE.

Certainly if the agriculturists were required to pay low rates of interest on the sums borrowed by them for agricultural purposes, then their economic condition would be improved. They would of course, be able to devote some portion of their income towards improving their holdings. They would get more food and more clothing.

QUESTION 7.—There is a prejudice against the indigenous bankers, but necessity makes the debtors approach those creditors.

Yes, the bankers have got full protection of law. Sometimes if the rates of interest are penal, then the courts relieve the debtors.

It is not necessary at all to extend any facilities to them. Outwardly the dealings of the indigenous bankers would seem to be very sound. Sometimes they are tainted with fraud.

It is very difficult to make improvements in their dealings.

QUESTION 8.—The indigenous bankers would be more serviceable, if their dealings with their customers are straitforward and honest. It may be made incumbent upon them to notify every transaction in which they enter to some responsible Government officer.

It is only by keeping a strict watch on the dealings of these bankers, the system would be improved.

No special facilities are required to be given to them.

Generally, they keep *rojnamcha* and a *rouhad kachhi* and *pakki*. Some strike the balance daily, some every fortnight, and some at the end of every month. The accounts are orally explained. The books are not usually allowed to be inspected. It is only in courts that the books are shown. Invariably the debtors plead that the accounts were not explained.

If any regulation are introduced to regulate their operations, I think the idea would not be palatable to the community in general.

QUESTION 9.—For want of any reliable information it is hazardous to say as to how much net profit the bankers or the banks derive after defraying the costs mentioned in the question, but to be frank they earn a fairly large amount of profit on account of swelling of capital by interest to an enormous extent.

QUESTION 10.—Indigenous bankers also borrow money amongst themselves at a rate ranging from 4 annas to 6 annas per cent per mensem in order to accommodate their customers, if they find that their own capital falls short of the demand.

They even refuse if they find that the security offered is not sufficient or worth the trouble.

QUESTION 11.—It is impossible to link the indigenous banking system with the central money market, because there is the difference in object of each.

It is worth while experimenting if the indigenous bankers deposit their capital in a local co-operative or any other bank, and carry on their money-lending through the medium of that bank.

Local bankers may be made to understand that their money would be quite safe in the hands of a bank established, and that they would get a fairly good return for the money invested.

There would be no competition if the capital of the local bankers is invested in a bank. Even supposing that there would be a competition, I think low rates on interest in a bank would induce the agriculturist to flow to the bank and not to the indigenous bankers.

Moreover, the debtors themselves would understand that the eye of the indigenous bankers would be on their property, while such would not be the ultimate object of the bank.

QUESTION 12.—I think very few bankers may have surpluses. To me it seems that the money must not be flowing to enrich the provincial capital. Even if it be flowing, the proportion must be very small, and in order to stop this the credit of the agriculturist must be increased and the same would be done when the agriculturist would think himself the owner of the property he possesses, and when the rights of transferability would be conferred on him by law.

MR. A. K. GHATPANDE.

Investment habit and attraction of capital.

QUESTION 1.—The existing banking resources are the Co-operative Central Bank, the Government and the indigenous bankers.

Outside capital is not required. Post office and the Central Bank are the only institutions in existence which encourage savings. Co-operative Central Bank has created a very salutary effect on the public, and the deposits usually flow.

All sorts of facilities are offered to the public for the investment of their savings.

The existing facilities could very well be extended to tahsil places by establishing branches of the Central Bank at those places.

Formerly people were inclined to invest their savings in gold or silver, but nowadays that practice is dying out, at least in middle and well-to-do classes.

QUESTION 2.—Postal cash certificates are not very popular, since the Central Bank offers higher rates of interest on fixed deposits for five years.

Yes, if the rates of interest be raised and made more attractive by the Government, then I think the capital which flows to the Central Bank would be diverted to the post offices.

I think there are no grievances by the public regarding the existing facilities given in savings bank.

Middle classes of people, such as clerks, petty traders and artisans, resort to such form of investment.

Increase in the rate of interest may possibly attract other classes.

Government rates are always low than the indigenous bankers and other banking institutions, and hence have nothing to say regarding Government competition.

QUESTION 3.—Imperial Bank at present gives facilities for the purchase and sale of Government securities. It even grant loan to the intending purchaser, or allows him to purchase Government securities by paying the money in instalments.

I do not recommend any facilities for agriculturist and small investors. They can very well invest their meagre savings in the post office or the Central Banks.

I am not aware about the facilities afforded by the various financial agencies for the purchase and sale of any other securities.

Only literate and some middle class of people make their point to save something from their usual income derived from any source; but illiterate masses do spend in any thing they like. The idea of saving is quite foreign to them. In many a case saving becomes impossible, because they hardly make their both ends meet.

Hoarding would be visible in cases of old-fashioned people who are well-to-do and who are unaware of the modern institutions affording facilities for investment. I cannot form any estimate of hoarding.

Cases may be found in which a well-to-do farmer lends money to other fellow-agriculturist at 2 per cent per mensem.

In fact there can be no surplus money even in a prosperous year. Even supposing they had, they would spend the same in festivities and marriages.

I am unable to give only information regarding the amount, growth and distribution of capital amongst the indigenous population.

QUESTION 4.—Cheque habit affords a great deal of convenience to the customers.

The effect of abolishing stamp duty on cheques is beneficial.

Only well-to-do people use cheques. The cheque system could very well be promoted in various directions.

Much of the work is at present done in vernacular language in the Co-operative Central Bank, and its affiliated societies. There is no harm if vernacular script is introduced in other banks as well. That would facilitate the growth of the business.

MR. A. K. GHATPANDR,

QUESTION 5.—I entirely agree that the banking and investment habit in India is of very slow growth.

It can be attributed to the general bad economic condition. Unless and until a man gets more than what he requires he cannot save.

Propaganda by the Government as well as by all the banking concerns would be helpful in educating the masses. Efforts in all directions are necessary.

We have not got a branch of the Imperial Bank here and consequently question cannot be answered.

Answers to Supplementary questions.

QUESTION 1 (a) (i) and (ii).—Bankers or the exporting firms who deal in export generally advance money to the cultivators before the produce is ready. Price is already fixed, seeing the prospect of the crops; and as soon as it is ready, the produce is brought from the village by them to the town ganj, and thence transmitted to the exporting centres to the address of their agents, with whom directions are placed beforehand as to what places the goods are to be sent.

QUESTION 1 (b) (i) and (ii).—Equally alike the process followed in importing the goods. Goods are despatched from foreign countries to Bombay, Madras, Calcutta and other big ports to the address of the selling firms; and from then the various town dealers get their supply. The consumer gets his supply from the dealers, and he has to incur the actual price, the duties and the transmission charges and the profits of the dealers. Villagers get their supply from the petty shop-keepers who take goods on credit from the town dealers.

QUESTION 2.—Exporting and importing selling agents have their commission settled with the exporting or the importing firms. Generally, in exporting the profits are earned by the middle man and not by the agriculturist, who in fact produces the produce exported.

The agriculturist should get fair and marketable price of the articles sold by him to the middle man.

QUESTION 3.—It is a fact that the agriculturists do not get fair return for their articles on account of the speculative buying and selling activities of the firms and companies who deal in export trade.

Proper control and check over these agencies would seem to me to be the only suggestion for ensuring better return to the growers of the produce in India.

Oral Evidence.

Chairman: I understand that you are the Secretary of the Chhindwara Central Bank. How long have you seen Secretary?—Since last five years.

Are you also a member of the Bar?—Yes.

Are you a cultivator?—No.

Have you much knowledge with regard to general finance outside the co-operative credit movement?—Little experience.

Your experience is mainly with the co-operative credit bank?—Yes.

Would you like to tell us anything about the co-operative movement in the Chhindwara district? What are your difficulties regarding expansion in order to bring the blessings of the co-operative credit movement to the door of every agriculturist in the district?—The difficulty is the non-transferability of occupancy land. That is the chief difficulty. The movement cannot be expanded unless and until co-operative banks can get security of land and can sell up the land of defaulting members and recover the money of the share-holders and depositors. About 60 or 70 societies are under liquidation.

The principal blessing which you can bring to the door of the occupancy holder is to sell up his land?—What I mean to say is that director's money would be realized if right of transfer is given to occupancy tenants. For want of this 60 or 70 societies are under liquidation, because they could not sell up their land, and could not recover the money.

Vice-Chairman: The principal object of the movement was financing the agriculturists, is it not?—Yes.

MR. A. K. GHATPANDR.

Is it a fact that there is a lack of honorary workers and also lack of experience?—We cannot say exactly like that. But there is a little slackness in supervision.

Honorary workers are now alive to the laxity in recovery administration. Are they?—Yes. They are more alive now.

Apart from all anything else, one cause of this slow spread of co-operative movement has been unsatisfactory harvest in your district. It is not?—The harvest were not so unsatisfactory, but they were to some extent.

Why is the movement not spreading faster in your district?—On account of illiteracy and joint liability, etc.

Co-operative societies can finance agriculturists under only certain conditions. Is it?—Yes.

Have you felt the want of financing capital for societies?—No.

What is the rate of interest of deposits given by your bank?—6½ per cent for the longest period. Rates have been reduced from time to time.

Do you contemplate further reduction?—No.

Have you got any surplus cash?—Yes.

How much roughly?—It must be about Rs. 25,000 or more.

Rao Bahadur M. G. Deshpande: You say you are paying 6 per cent?—Yes.

For one year you pay at five per cent?—Yes.

Suppose if you reduce and made a common rate for the whole Central Provinces and Berar, do you think deposits will go away from this movement?—No. There will not be considerable reduction.

In that case can you not advance loan to your societies at cheap rate of interest?—We could have done, but the difficulty is that the cost of management is very heavy and on account of that we cannot advance money at much low rates.

You have just said that there is a dearth of honorary workers. Suppose if this agency of Central Bank be converted into Provincial Bank, and be made to finance your societies direct, do you not think that your societies will be able to get loan at cheap rate of interest?—They will get at cheap rate of interest and Provincial Bank will be able perhaps to work more efficiently than the Central Banks at present.

What do you think if these be made supervising agencies and the Provincial Bank be made sowkar of your societies?—It means abolition of Central Banks. The proposal does not seem feasible.

In Conferences and out of Conferences there is a cry that the rate of interest is very high in the co-operative movement. Can you suggest me any remedy by which you can reduce that rate of interest in your societies?—The only remedy is the reduction in the cost of expenditure, but that cannot be done.

On page 2 the rate of interest charged to agriculturists vary from one per cent per month to 12 or 18 per cent per mensem. How can it be? Is it per month or per annum?—There must be some mistake.

You have replied to the question put by the Vice-Chairman why co-operative movement is not prospering, because cultivators have not got right of transfer. Do you think our societies were started on the understanding that we must get right of transfer?—It can be an understanding.

Is it a fact that societies could not be formed because this want of right of transfer?—Yes.

If the right of giving out land for longer period be given to the tenants, do you not think that our aim will be gained?—I cannot say for the principle of co-operative societies that the aim would be gained, but in general rights to transfer would to a great extent improve the economic condition of occupancy tenants.

Chairman: Do you agree to the following extract from the Banking Enquiry Number Indian Finances on page 31:—

Evils of illusory security.

It is sometimes said that, as the loans of Central Banks to societies are backed by the unlimited liability of the members of the societies, the Central

MR. A. K. GHATPANDE.

Banks can safely ignore the financial precautions necessary in the prudent management of commercial banks. The enforcement of unlimited liability, however, means the ruin of the cultivators, not only for their own debts, but also for those of others. Such enforcement on a large scale is too serious to contemplate; and there is no possible justification for Central Banks ignoring strict precautions such as ample liquid assets. It may temporarily benefit their shareholders in higher dividends or their depositors in higher rates of interest, but it can only do so at the risk of inflicting injury on the cultivators for whom the societies were formed. Further, forced sales on any large scale can only usually be made at very low prices, so that unlimited liability may often prove (as it has done in Burma) an illusory security. The loss caused by the failure of a commercial bank is limited to the amount of the deposits and shares of its depositors and shareholders, so that strict business precautions on the part of co-operative banks are more necessary than in the case of commercial banks.—
Yes.

Seth Narsinghdas Daga: Do you agree that we cannot do without sowkars?
—Yes.

MR. NARAYAN SINHA, B.A., LL.B., Pleader, Gadarwara.

Reply to the Questionnaire.

Introduction.—The principal object of the Banking Enquiry Committee as it appears from the division of the subject-matter and the nature of the questionnaire, is to make, as complete as possible, a survey of the existing conditions in respect of money-lending, borrowing and investing, and consequently to know whether there is any possibility of introducing any new banking system or opening any new institutions for the aforesaid purposes. The money-lenders, sowkars or mahajans as they are called, are in it a danger to themselves, while a ray of hope gleams through it for an agriculturist, who is passing on his life very anxiously through a dark dreary way. It is, however, only the result, which will show whether the former or the latter or both are justified in making their estimations. The public, in general, would also wait and see whether this enquiry brings forth sweet fruits for the real good of the country or it has simply come to play its role like so many Commissions and Committees, leaving behind only a voluminous and bright reports. An examinee like myself, however, need not concern himself with what lies in the womb of future, as his whole duty rests in answering the questions in such a way that they may be suggestive of real practical good of his country. Theories sound well and examples look bright, but to try to apply them to any and every circumstances betrays lack of judgment, insight and want of sense of proportion. Our Indian agriculturists and industrialists are moving in such peculiar circumstances as are brought down upon them by constant neglect and force of historical, political and economic causes, that a child-like imitation of others, whose conditions and circumstances are altogether different, might lead to ruin rather than to development. In the world-wide field of competition we not only require protection by the state from being annihilated, but also further strength to combat the adversaries with equal force, if not more. It is on these principles that I have attempted to approach the questions sent to me for answers. My chief concern is to improve the conditions of the agriculturists, who are admittedly the poorest and weakest of the whole Indian population. It is an indispensable duty of the Government to know as to why this class, which is the bulk of the whole population, inspite of its hard and strenuous labour, is hardly able to keep up his body and soul together and as to why it passes its days half-starved and half-naked. But merely knowing of the causes is not sufficient. It must come forward with all sincerity and honesty of purposes to assist it in every way possible till it grows strong enough to stand on its own legs. I looked into the subject from these view-points and have consequently come to the following conclusion, which are set forth below by way of introduction, in order that they may not be lost sight of at the time the answers are gone through:—

(a) Agriculturists in India are admittedly about 90 per cent of the whole population, and, therefore, their improvement means the improvement of the whole country. But as they are extremely poor, it is a dream to ask them to save and to invest. All facilities for investment in modern forms to them will be meaningless until they are made able to save.

(b) Village industries have almost become extinct by force of circumstances and they need revival. State aid in financing directly or indirectly, and protective tariff to ward off foreign economical invasions are the two necessary ways by which they can revive.

(c) So long the towns and cities have been made the centres of activities of almost every kind of institution, started with a view to ameliorate the conditions of the people. It is from such centres that attempts have been made to throw light over rural areas. My scheme is that the village markets, which meet once or twice a week, should be chosen as centres for such activities. Most of the institutions, which may aim at the improvement of rural population, can be made more effective from such centres than from anywhere else. The details of the scheme can be discussed at any time as it cannot be done here for want of space.

(d) If any institutions is introduced for financing, etc., its work must be carried on with Indian capital and labour. As far as possible, the Government should take parental care of these institutions from the national point of view. Economic foreign domination is not desirable at all, so long as we have not become equal combata.

MR. NARAYAN SINHA.

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

QUESTION 1.—In order that the first question be answered properly, it is necessary to see as to whether who are or can be classed as agriculturists, for the rate of interest charged from them varies generally according to the class to which they belong. Where there is no ryotwari system they can be classed as follows:—

(a) Land proprietors, e.g., malguzars and plot proprietors, who cultivate their own home-farm land or even tenancy lands or both.

(b) Tenants.

(c) Sub-tenants.

(d) Batiadars, who in themselves may be grouped as (i) those who own bullocks, and their earnings consist of the share of the produce which they get for their physical labour and that of their bullocks, and (ii) those who do not own any bullocks and they get share of the produce for their manual labour only. All of them obtain finance for all purposes, whether they be during cultivation, for permanent improvement of land or for other agricultural and family needs by means of loans. They have hardly any other reservoir to tap out.

The rate of interest in India varies from 6 per cent to 150 per cent (i.e., two annas per rupee per month) per annum. These two extremes, however, are very rare. We may roughly say that the usual rate for ordinarily well-to-do agriculturists is from Rs. 12 to Rs. 24 per cent per annum. The usual rate charged from the batiadars is $6\frac{1}{2}$ per cent per mensem (i.e., one anna per rupee per month), especially from those who take the batia of syari crops, as they always belong to the second class mentioned above.

The period for which the loans are taken varies according to the purpose for which they are taken, the credit the borrower has, the extent to which he is indebted, the prospects of future earnings by the debtor, the object and motive of the creditor in advancing the loans, the nature of the security furnished and so on. Thus the batiadars usually get for six months only, and in some cases for 12 months also till the harvest time. The period for the proprietors and tenants may be fixed from one year to 12 years. In mortgages the period is usually longer. In simple money-bonds it ranges up to about three years, and oral loans are payable comparatively in a very short period of time.

The nature of the security that is taken may be classified into mortgages, usually of simple and possessory nature, and hypothecation of moveables, usually ornaments. To take sureties is another nature of security. Standing crops are not hypothecated, although they serve the purpose of security in cases of batiadars, who have to store the whole crop in the owner's *khalyan*.

The following conditions are also found attached with the granting of loans:—

(1) The debtor has to pay off the interest or both the interest and the principal by supplying certain commodities to the creditor at a rate fixed beforehand. This rate is usually less than the prevailing market rate. Ghee and grain are the examples of such commodities. This practice is known in vernacular as "Bandhor bandhana".

(2) The debtor has to undertake to lend his services or those of his family members to the creditor with or without payment for a settled number of days, months or special periods, e.g., sowing seasons.

(3) Sometimes some interest is deducted in advance from the principal.

(4) Illegal recoveries are often made by the staff of workers out of the amount borrowed. The co-operative banks and even the Government staff are not free from this evil.

In this district the agriculturist takes loans from the following:—

- (1) Indigenous banks and bankers and professional money-lenders.
- (2) Co-operative banks.
- (3) Government.
- (4) Merchants and dealers.

MR. NARAYAN SENI

There is no joint stock bank in this district. The Imperial Bank has not yet stretched its hands beyond advancing money to merchants and grain dealers. The agriculturists have not yet come within its orbit. The greatest part is played by the indigenous system of borrowing from the sowkars. There is hardly any individual or a firm which may rightly be termed as indigenous bank, even in the sense in which it is defined under section II of the questionnaire. Their dealings in hundis and receiving deposits is so negligible that they may safely be termed as money-lenders only. Next in importance comes the co-operative banks. It is, however, certain that it has not gained popularity as yet for various reasons, nor should it be hoped for until things go on as at present. The Government advances under the Land Improvement Act and the Agriculturists' Loans Act, specially in times of scarcity. It advances in such a small measure that it hardly meets even the most important demands of the agriculturists. These Government loans are, however, very popular for two reasons. Firstly, they are advanced at the lowest rate of interest, and, secondly, they are recoverable by instalments. The loans that are taken from the co-operative bank and the Government are very seldom applied for the purposes for which they are taken. Poverty and resourcelessness of agriculturists, on the one hand, and slackness in supervision on the part of the authorities, on the other, are responsible for this misuse of the money. In so far as merchants and dealers are concerned, their part is generally played to the extent of advancing only those commodities in which they deal. They sell these commodities on credit. By this method they get purchasers for their goods and the agriculturists get sellers, who can supply their family needs at the time when they have not got money to pay for them. Cloth, salt, gur (raw sugar) are examples of such commodities. Grain dealers only occasionally advance small loans to those agriculturists who are their regular customers and who have gained credit by constant dealings with them. Such loans are for short terms and they are to be paid off when the next following harvest comes and the agriculturists bring grain in the market for sale. Sometimes the malguzars also advance small loans to their tenants to meet their family needs.

As there are no statistics on the point of agricultural indebtedness, as far as I believe, I am unable to give any estimate of the total amount of capital and the extent of grain advances required by the agriculturists. Any figure towards that estimate without statistics would be a mere conjecture. The usual term on which grain is advanced is the taking of *sawaj badi*, i.e., one-fourth time more than what is advanced, at the following harvest time. It is generally advanced in the month of Kartik as seed and paid back in Baisakh following. Sometimes when a peasant becomes short of food materials he takes grain on the same term even after the sowing season is over. The only effect that such loans can be said to produce on the disposal of crops is that the agriculturists cannot wait for the prospective rise in prices, if any. The defect of the system is that the borrower has to pay higher rate of interest in the form of the *badi*. But it is a very old system and therefore the people have become adapted to it. Under the present circumstances, I think it is also best suited to the tenantry. If a tenant takes loan in cash for purchase of seed, he will have to go to the market to make purchases and then again at the harvest time to sell the grain in order to get money to pay the creditor. This he will have to do sometimes more than once, if he does not find favourable market on the first occasion. Then, again, in the market he has to deal with tricky dealers of grain, and this involves often a loss to him to a certain extent. Still further, as he is always short of money, it is likely that he may spend some money out of that which he takes as loans for the purpose of purchasing seed for meeting his other necessities. The present system is advantageous inasmuch as he generally gets seed in his own village or round about it with fairness as far as possible. There can, however, be the following better substitutes for the present system:—

(1) The Government itself may maintain granaries in some big villages wherefrom it may be easier for the tenants of round about villages to take seed for their purposes. Advancing on less *badi* will certainly be desirable, if possible. Strict and honest supervision will check the most condemnable practice of illegal exactions and harassment.

(2) Co-operative seed-advancing societies may be established. They must be aided in the beginning at least by the Government in their organizations and by supplying capital to them.

MR. NARAYAN SINHA.

So far as I know, there is no co-ordination amongst the various credit agencies except that the Government has some connection with the co-operative banks and the Imperial Bank. There is certainly not only scope, but a necessity too for such co-ordination with the Government, provided, of course, the object is to help rather than to exploit and to act with the motive like that of a father or a mother rather than that of a businessman.

QUESTION 3.—Without claiming statistical accuracy it can be said that the value of land per acre varies from Rs. 3 or Rs. 4 to Rs. 300. Private sale-deeds, sale certificates, rent assessment of rents at the time of settlement and sub-rents on which lands are cultivated are the sources from which the value of the land can be ascertained. In general, the rabi (unahari) crop-producing land fetches higher value than that which produces only syari crops. In rabi crop itself the gram-producing fetches less than the wheat-producing one; and in syari crop rice-producing gets higher price than the other crop-producing ones can get. That land which can produce both rice and wheat is of the highest value.

The following factors affect the value:—(a) Question of supply and demand, (b) condition of land and the quality of the soil, (c) the right in which it can be sold and purchased, (d) nearness and remoteness to the markets, (e) the extent of facilities and means of communications for transport, etc.

The value of land in private sales is generally higher for the simple reason that so far as the seller and the purchaser are concerned, the supply and demand can be said to be equal, otherwise the demand is often higher than the supply. In cases of Government and court sales the need for sale is uppermost, because money must be obtained in limited time. The bidders also do not come in sufficient number. If the land is already mortgaged with the purchaser and the seller has got no other property or if there is any other debt of the purchaser on the seller than the land, being the only property which can be availed of by the creditor, gets higher price than usual.

QUESTION 4.—Yes, there are the following legal impediments to mortgage of land in Central Provinces. In the first place there is the Land Alienation Act, which is an obstruction in that way, and in the second, there is the statutory right of pre-emption in favour of the landlord of a village under the Tenancy Act and the Land Revenue Act. The object of these Acts is to prevent the aboriginal tribes and the real agriculturists from being extinct. The object is laudable and should not be changed. Amendments in the Tenancy Act and the Land Revenue Act on the lines of the Land Alienation Act may serve both the purposes.

There are no mortgage banks or agricultural banks in our province, at least in this district, so far as I know, except the co-operative banks. Long-term loans like other loans are given by indigenous banks and sowkars.

In my opinion it will not be beneficial for the land-holders and tenants to take loans for a longer term than at present. Everybody knows that their chief occupation is agriculture, they are dependent upon nature for their agriculture, they have got no subsidiary industries, their family needs are often provided for out of the money they borrow; and hence, under these circumstances, interest will accumulate without any proportionate increase in productivity. If, however, such banks are to be established, their capital and labour must be supplied by India, their management must be in Indian hands, their interests must be Indian, they must see that the money borrowed is not misused.

I do not think that there is any necessity for changing the procedure in respect of foreclosure and sale. Improvement in the record of rights by adding a column showing existing liabilities against the property is desirable. In annual papers too such changes should be shown. Reduction in cost of reference is also desirable. But I am against extending these concessions to mortgage banks only. Besides the entries in revenue papers will have only presumptive value.

As to the sources of working capital of the proposed mortgage banks, I think, in the beginning, it will be desirable to finance it from the funds from central institutions, as deposits may not be forthcoming. As to the debenture bonds, there should be Government guarantee both for the principal and interest and in lieu thereof the Government may be given some share in the profits and may control its management subject to the condition already mentioned by me above in respect to the capital and labour. Agricultural banks may also run on the lines suggested above.

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QUESTION 5.—In so far as I think, there are no statistics which may lead to form an estimate of the agricultural indebtedness. Such an estimate can be obtained with the help of the revenue staff. The patwari assisted by the village people themselves will be able to give as correct as possible the figures of indebtedness as well as the nature of the transactions. A chart containing all the necessary columns be printed and be sent to be filled in by the revenue staff. Banks, Government and money-lenders may be required to furnish in a tabular form the indebtedness of the persons of each village. Registration offices may also be required to furnish the same sort of information. This will certainly bring in reasonable accuracy.

As I do not know of any estimate for a village of a district, further sub-questions cannot be answered by me until we come to the question of the other causes of indebtedness. The main causes are two, viz.—(1) the agriculturist is thrown as it were in the field of world-wide competition with no corresponding advantages and no strong-fold of other industries. His and his family members' much of the time remains unproductive. (2) He depends for his agriculture mostly on nature. Thus unoccupied time, drought and over-raining are the causes which oblige him to borrow. He hardly finishes paying off his previous debts when another misfortune comes upon him.

As to the rate of the interest charged, I have already answered in question 1. Simple rate of interest, but often the compound rate is charged. The methods for calculating it are by mahajani system. The method which is generally adopted for the enforcement of the payment of debt are, in the first place, the attempts for a compromise entered into by themselves or through the *paichas*, and in the next, recourse is to the courts. If the parties happen to be not on good terms or if the creditor's object is to snatch the property of the debtor, then, of course, suits are necessarily filed to overburden the debtor and his property.

There are, no doubt, forces working against the efficient farmers turning them into the status of sub-tenants, etc., but there is a great check upon this process by means of the provisions of the Tenancy Act. Landed property, of course, is passing on into the hands of the money-lenders, but here too the restriction about the transfer of *sir* comes to rescue to a certain extent. Aboriginal tribes have been protected by the Land Alienation Act.

Unless the cultivator has got permanent interest in the land he would naturally have very little incentive to improve his land. He is then concerned only with his immediate gain.

QUESTION 6.—This question is by far the most important from the view point of Indian agriculturists, and hence of the whole of India. Imagine before your eyes Indian villages of the past, when it was a self-sufficient unit, having its own necessary industries; and this will give you the idea as to how the remnants of the village industries are lingering on in the same old fashion. Owing to several political and economic causes India has not risen to the occasion. Machines have not and could not be substituted for manual labour. Almost all of them have become extinct, and if there are any remains here and there, they are run very feebly and on very small scale. In most cases the object is to supply one's family needs by having his own industries, while in other cases *malguzars* and big tenants get the work done by means of the labouring class of his village, e.g., rice-milling, cotton-ginneries and hand-spinning. There are some other industries which are carried on to get the price of the products, e.g., oil-milling, gur-making, etc. Dairy farming is not traceable nor can it be successful for want of finding ready market for its produce. Carpet-making is also not found anywhere. Garden produce is very rare.

Yes, I have got a scheme to suggest and I believe that will help a great deal in developing many of the industries, if it is undertaken in right earnest. There are better chances for hand-spinning, weaving and even for cotton ginneries and carding. Our chief object should be to find the market for the produce. This can be very easily achieved in the following manner. We shall take by way of an example hand-spinning and show how it can work successfully. It is known very well that in India most of the population is found in rural areas. Most of these people have to resort to village markets, held weekly or bi-weekly, to transact various sorts of business. They are so fond of going to these markets that they would like to go there for a trifling

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purchase or sale or both rather than to remain in the house or to go on work for wages. Now imagine that there is a sort of depot or institution, carrying on business of various nature assisted or aided whenever necessary by the Government or local bodies, economically or legally, situate in one of such markets. This institution purchases and sells the products of several indigenous industries and cotton, thread, and cloth are some of those things. A person spins thread and brings it to this institution. The thread is sold for some amount, the person selling thread takes the price partly in cash and partly in the form of carded cotton which will be turned into thread during the next week. Out of the cash that is received by the seller, he will make certain purchases of necessary articles, such as salt, gur, oil, etc., which may be sufficient for the next week. In the same manner cotton ginning, carding, spinning and weaving can revive without any resort to machines. The next question comes as to how this cloth made by our weavers will be able to compete with the mill cloth which is supplied in the market by the cloth-dealers of the towns and cities. Here will be required the help of the Government or the district councils. These cloth-dealers have to incur some expenses in bringing and taking back their cloth and thus necessarily they have to sell at a higher price than that which is paid in the headquarters. If only a little extra charge is added by way of protective taxation on all cloth coming from the towns, I think it will not be then brought in and khadi will be able to compete. The depot owners will also be giving to the spinners on small credits and so to the weavers thread will be given. Constant dealings will create confidence in each other. Congress organizations will be very glad to assist in this respect, nay, I believe, in respect of other industries too. This example will show how different industries can be developed and how the agriculturists, the labouring class, will be able to remain occupied during the time there is no work on the fields or in the houses with regard to crops, etc. They will be in a position to earn their living without any difficulty as at present. The aforesaid scheme disposes of question 6. It may further be added that this scheme will not entail very much expenses, if carried on prudently. Its working days may be fixed only three in a week, i.e., the market day, one day previous to it and one day following it. This very scheme can solve one more problem and it is the encouraging of the habit of saving amongst the rural people, provided a branch of savings banks is also attached to this institution and properly advertised.

QUESTION 7.—As to the relations of different banks with each other I have already said in reply to question 1. Indigenous banks are seldom connected with other banks. Leaving all other points given under this question to be discussed by those who are directly connected with the co-operative movement, I at once come to sub-question 7 which asks about the extent of the success the co-operative banks have achieved. I think the co-operative bank here has not been popular and effective. It has supplied the financial needs of agriculturists and the industries to a very insignificant extent. The joint responsibility, I think, is a great drawback in gaining popularity, although it may sound good in theory. It often puts several persons in difficulties for the mistake of others in not paying their own dues to the bank. The attachment of their property and even their own arrest are too much to be tolerated.

(2) Then, the process of borrowing and paying seems to be more complicated and expensive than that adopted by the sowkars.

(3) It cannot supply the needs at the time they are more pressing unless I agree to take the loan.

(4) The maintenance of the staff is costly and at the same time wanting in efficiency and often in honesty of purpose.

(5) Money which is borrowed for particular purposes often not used on that account and this sort of misuse is not supervised. The same can be said of the taccavi loans also.

(6) The agriculturists are hard pressed always with their necessities and hence they cannot help using the money for purposes other than that for which it is borrowed. All these causes tend to frustrate the object of the co-operative bank.

So long as the conditions of the borrowers are not improved in such a way that they may be able to wait and so long as no checks are put upon the lenders for the charging of the interest, there will be no use licensing them. It can only act as some sort of check on the falsification of account books.

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The following suggestions may help in improving the existing conditions:—

(i) The legislature may fix the maximum rate of interest, having regard to the simple and compound interest which may be enforceable through the courts.

(ii) The rule of *damdupat* may be enforced and a further provision be made that in case of the renewal of bonds, etc., for the old debts, the rate of interest chargeable for such renewed debt will not exceed 6 per cent per annum. This will check the tendency of evading the law.

(iii) The old village organization, based on panchayat system, be resumed so that the money-lenders may think that it is not the contractual relations only that should guide him in his dealings with his clients, but the opinion of those amongst whom he has to live and work should also form one of the factors in that direction.

(iv) Money-lenders may at their own option get themselves licensed by the Government without taking any licence fee from them. They then should have the facility of getting the loans from the Government on a low rate of interest, say, at 6 per cent. The Government may require security from such money-lenders for the amount to the extent of which he may be authorized to take loans. The Government then should impose one condition upon such licensed persons that they will not lend at a rate higher than, say, 9 per cent. The Government will also have the right to ask them to keep the accounts in a particular manner and it may also keep the right of checking the accounts and punishing the breach of the rules. The central idea is given out here, as the details need not be discussed here.

Other points of this question are left out unreplied.

II.—Indigenous Banking.

QUESTION 1.—If we leave aside the Imperial Bank of India and the co-operative bank, we shall hardly find any individual or firm worth bringing under the definition of the word indigenous bank as shown in this section. Receiving the deposits is not their regular function. They receive deposits only occasionally, more specially when they themselves are in need of money to transact their business. Their chief business consists in lending only. This has been spoken of in regard to my district, Narsinghpur. Many of these banks or money-lenders, as you might call them, begin to acquire gradually immovable property in lieu of their debts, and some of them have grain-dealing and seed-lending also. Dealings in hundis may be said to be an exception. Their chief object is to lend money on interest with as much security as possible.

QUESTION 2.—The bankers or the money-lenders here want interest and then their money to be secured. If these two things are obtainable, he does not mind whether the borrower has taken the money for this particular industry or that. He no doubt supplies the needs of the agriculturists and small traders, but it does not mean that he directly assists in financing any of those industries. The defect is, however, not in him, for he will be quite willing to lend the money to him who proves himself to be one who would use his money for some productive purpose. Small traders and industries are financed in towns and cities, while agriculture directly or indirectly in rural areas. In fact trades and industries are very rare in villages and feeble too.

QUESTIONS 3 AND 5.—The answers to these questions are contained in my answers to section 1. It may be further added that the rates of interest allowed for the deposits may be said to vary from 6 per cent to 9 per cent per annum.

QUESTION 6.—As to the rate of interest either in money or kind chargeable from the agriculturists, I have already dealt with it under section 1.

Then again I have suggested the way in which the rate of interest can be brought down in my reply to question 7, of section 1.

The reduction of such rates would certainly confer a great benefit on the agricultural community. It might lead gradually to the improvement of agriculture, etc., but this will not be effected soon unless loans are advanced by the institutions whose part of duty is also to see that the money taken from them is properly spent.

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QUESTION 7.—There is no doubt that prejudice does exist against the indigenous bankers. But it can be attributed more to the human nature working in the borrower rather than to the dealing of the creditors. The borrowers will never speak ill of the creditor when he needs money and the creditor supplies him. He will then not care to pay or the circumstances make him unable to pay his debts for a long time and the result is that the interest accumulates in a big and unmanageable amount. When the creditor therefore demands his money or sues him for its recovery he begins to grumble against him. This neglect on the part of the debtor, whatever it may be due to, leads to attachments, arrests and what not, and hence the prejudice. The creditor cannot be expected to guide himself purely with the motive of public service, as no other businessman is asked to do or expected to do. Sometimes the motives of the bankers for taking the properties of the debtor and sometimes for feeding fat his grudge for certain private reasons and on some other occasions his dishonest dealings also contribute to the same prejudice.

In so far as I think the bankers are sufficiently protected in law at present.

The dealings of this class of bankers with their clients are generally conducted on sound lines unless some such thing as said above has estranged the feelings of the parties or the motives of any of them are not bad.

I have two suggestions to make to remedy the existing defects, as it is they which often become the cause of the whole trouble—

(i) The present mahajani system of keeping the accounts is liable to be turned to the benefit of the creditors, when special occasion demands, for the pages can be substituted for new ones. The ink that is used in their shops is almost of the same quality and therefore cannot be distinguished whether the entry was made in the past or only subsequently. If printed forms are prescribed and paged and stitched in a particular manner, I think much of the dishonesty will be removed.

(ii) Every money transaction, whether on bonds or otherwise, should be signed by the debtor, if he is literate, or his thumb impression be taken, if illiterate.

(iii) Copies of accounts be also supplied.

QUESTION 8.—Indigenous system can be improved by co-ordination, as by doing so they will improve their own credit and would facilitate the giving of loan on a low rate of interest. It can also be improved in the manner suggested in my reply to question 7 of section 1. The accounts are maintained in the mahajani system, which is not uniform in minor details. I think that they are open to inspection or verification by the customers. My suggestion in regard to the system of keeping the accounts may be referred to under the reply to question 7 of this section; and so it may be referred to for other suggestions.

Innovations are always opposed, howsoever good they may be, at least by a certain section of the people; and therefore it is obvious that the introduction of any new measure affecting the bankers will not go without any opposition. This, however, should not detract the Government from enforcing the best measures.

As to question 9, my reply is in the negative. As to question 11, I have already given some idea as to how the indigenous system can be linked with other banks or the Government. As to question 12, I think that there is not such a large amount as may not find employment in the district itself.

III.—Investment habit and attraction of capital.

QUESTION 1.—The existing banking resources, so far as I think, are individual earnings, deposits, share and profits from various other business, e.g., dealings in hundis, money-lending, grain dealings and so on, loans from other persons and banks, etc.

The institutions in existence for savings are as follows:—

Government savings banks, co-operative and other banks, Government securities of various nature, namely, the postal cash certificates, war bonds, etc., investments in buildings in towns and cities, investment in acquiring landed property, e.g., proprietary rights and tenancy lands in villages, insurance habits of various nature, e.g., mutual benefit society, investment in small businesses, flour mills, etc.

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I think that the co-operative societies and banks have not been successful in encouraging this habit.

In so far as one's own ideas concerning the investment are confined, the facilities are sufficient. But the whole difficulty is that the rural people got nothing to deposit or invest. I have already suggested in section 1 that the village markets can be made the basis of several activities and one of them can be the savings banks, provided special attraction in the form of the higher rate of interest is made to them. Even then I doubt if the village people would like to deposit, when they would get still higher rate of interest even in his own village or round about it.

As to the habit of the Indians to invest in gold and silver, I think it is a thing of the old. Very few are in the condition of doing so. Wherever persons manage to purchase some gold or silver they pawn it when money is absolutely needed and it cannot be obtained in any other way.

A word may be added in the end that if the Government really wants that the people of India may save and be prosperous, they must be helped in improving their industries. Education, means of communications with the necessary change in the Government system are also necessary for general improvement of the people.

QUESTION 2.—So far as I have been able to ascertain, I have come to know that the postal cash certificates are not popular, steps can certainly be taken to increase their popularity.

The present rate of interest allowed in cash certificates is too low to make them attractive. It should be so revised that the rate may come up to the line of interest allowed in other big institutions or to a line little below. The terms of issue may also be changed. People may be allowed to withdraw their money whenever they like with little disadvantage in getting the interest.

Savings banks afford all possible facilities to the public of cities, towns and big villages, where there are the branches of post offices and savings banks. But only the servant class resort to this sort of investment. Increase in the rate of interest allowable in the savings banks can attract other classes. For rural population the branches of the savings banks be opened in the village markets, as already suggested for a few days as an experiment. Even then I have doubts about its success amongst the agriculturists and other rural people.

QUESTION 3.—The only thing which can attract the agriculturists or persons of the poor class is that the rate of interest should be attractive. The question of hoarding does not arise at all under the present pecuniary state of the people, as they have nothing to hoard. The insecure days owing to which the people had learnt the habit of hoarding are also gone and therefore they have now given up this habit, although it is possible that a man here and there be found putting on the cloak of this old habit.

If any person has got any amount of money at his disposal, he generally spends it on his own business and sometimes, if it exceeds the needs of his small industry, he lends it to others on interest.

Yes, the farmers sometimes lend money in small sums to their fellow-agriculturists. They can hardly save anything even in prosperous years. He is, in the first place, confined only to his agriculture, and out of its income he has to meet the expenses of the whole family. Then again whatever is received in excess in such years, he has to pay off his previous debts out of that; in short, he always finds himself either indebted or in a position which is just sufficient to make him able to drag on some how the load of his as well as his family's life. The terms on which the farmers lend money to the fellow-agriculturists are generally the same on which the other money-lenders advance.

QUESTION 5.—Yes, the investment habit in India is of slow growth. The root cause is that India could not advance materially in line with other nations owing to several political reasons. At present there is no education amongst the people and therefore no ability to understand the complexity of the modern processes of earning wealth. Besides this the people are very poor and therefore have nothing to invest. Then again the Government does not help them by means of protective law, and unless this is done their fate is doomed in spite of appointing a number of commissions and committees for making enquiries into their conditions.

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There can be several means of educating the people of the country. To teach them the habits of co-operation is the first thing, but this should be done in the beginning with the help of the Government. They can be taught by means of magic lanterns, demonstrations of several big concerns, such as Tata Works, Ford Works, demonstrations of small industries, etc. One thing of importance that is often forgotten is that the Government must take part in all this. The experiment of village-uplifts in Punjab by the official head of the district can very well show how the Government can help in improving the condition of his poor, weak and ignorant subjects.

As far as I know, the branches of the Imperial Bank of India have not been of any help to the rural population.

Oral Evidence.

Jubbulpore, the 21st March 1930.

Chairman: A copy of the written memorandum that you wish to place before the Committee has been circulated to all the members and before we proceed to ask you other questions, is there any other statement which you would like to add?—No.

Writing about the co-operative credit movement you say that it has not gained popularity for various reasons. What are these reasons?—The main reasons are (1) joint responsibility, (2) much complexity in the administration of working and (3) inadequate supervision. If a cultivator wants to take out a loan, he has to go to so many persons, canvass them, and if they are willing then only he gets money. Then again, the loans are given for particular purposes only. There is also corruption. Supposing I take a loan of Rs. 20 then from the time I start for my village to the time I reach it, I am required to spend at least 2 or 3 rupees.

Rai Sahib Laxmi Narain of Noni has stated to us that agriculture in India is not a paying business for a person who does not carry on agriculture himself. But you have drawn a very black picture here. Do you not think that those real agriculturists who are working in the fields themselves are making a certain amount of profit?—I have said that persons who work with their own hands make more profit than the persons who employ hired labour. Working personally is only possible in the case of small holdings which can be managed by a family.

There is also the uncertainty as the outturn varies from year to year. Is it not?—Yes.

Does the indebtedness increase in bad years?—Yes.

Why then do the people not repay their debts when they get good years?—The chief reason is that in India agriculture is the main industry for the people. The outturn in good years is not so much as would enable the agriculturists to pay their debts and yet allow a sufficient margin for their maintenance and incidental expenses. Then, another bad year would follow after a couple of normal years and the debt would accumulate.

Do you not think that the debts are ever repaid?—They are repaid, but in many cases they are not repaid.

Wherefrom does the Bania get his money then?—Baniya gets money and interest and he goes on advancing it. In that way the current goes on.

At the end of your memorandum you have said that the branches of the Imperial Bank do not play any part in benefitting the rural areas. I would suggest to you that the function of a commercial bank is rather to finance trade and industry and in no country does a commercial bank finance agriculture. At Kareli, a very big business in grain export and import is carried on and it was stated before us at Kareli that in the season a cultivator is charged 4 annas per cent interest if he wants the money to be paid on the same day as the grain is purchased. There is a shortage of money there during that period, and if there would have been a branch of the Imperial Bank, this state of affairs would not have arisen. Do you agree with this?—I have not considered this question from this point of view. There might be shortage of money in Kareli, but I do not think a branch of commercial bank is required in Gadarwara, because cash is available there for discounting bills. As far as the agriculturist is concerned, I do not think they would be benefitted.

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Rao Bahadur K. V. Brahma, C.I.E.: Are you connected with the co-operative movement yourself?—No.

The opinion which you have given here is then based on the information received by you from other sources. Is it not?—Yes.

You have referred to "Bhandari" system in your note. Will you please give us an exact idea of that system?—Under that system if a person borrows some money, the creditor charges him interest at a lower rate or even at a market rate and also makes a condition that the crop will be sold through the creditor at a rate fixed by himself. At times sums are advanced without interest, but on the condition that crop will be sold at the rate mentioned by the creditor through him. It depends upon personal relations of creditors and debtors.

That means that at times there are double stipulations, one by way of interest and one by way of lower rate when purchasing. The creditor thus tries to have a double advantage and that is unfair bargaining. Is it not?—Yes.

Do you think there are any special difficulties in the way of money-lenders in getting their money recovered through courts?—I do not think there is any unnecessary delay.

Do you think money-lenders are handicapped by laws of succession, *s.g.*, Hindu Law, etc.?—No.

Is the execution of decrees greatly delayed?—When the executions are sent to collectors then certainly those proceedings take longer time, but in other ways the ordinary execution in civil courts do not take more time than is necessary.

You have suggested the improvement of record of rights. I may describe to you the system prevailing in Berar. In our part if a mortgage is executed or a sale takes place, intimation of it is sent to patwari and he puts it on the mutation register and some time after a competent revenue officer comes round and verifies the fact and if the parties agree, the entry is certified, but if they do not, the revenue officer decides the matter. Would you prefer this kind of system?—I would prefer this kind of system.

In another part of your statement you have suggested that there should be some legislative provision for fixing the maximum rate of interest. You must be aware that there are three stages for which interest is charged; the first is the period between the date of the loan and the date when the matter goes to court, second is from the time of filing of suit to the decree and third is from the passing of decree to the realization. Would you like to fix the maximum of interest for all the three stages?—Yes.

Supposing an enactment was passed as you suggest, the money-lenders who will want to charge more than the prescribe maximum will try to evade the law by actually advancing less amount to a borrower and taking a bond for more amount. How do you propose to meet such cases? What remedy do you suggest?—I would leave it to courts to decide what was actually advanced. Even now cases come before court in which at times plea is that the money has not been advanced at all. If the courts can decide that, why should they not decide one more point if it arose.

Do you think majority of the transactions that take place are dragged before the court?—No.

Does it not follow then that there would be no remedy to prevent the evasion of law in cases which do not come before the court?—Yes; but it cannot be helped, because even now if a man settles a claim out of court paying 50 per cent as interest, no one can help it.

In the alternative you have suggested that the rule of *damdupat* may be extended to Central Provinces and that a further provision be made that in the case of renewal of bonds, the rate of interest chargeable for such renewed debt should not exceed 6 per cent per annum. What is your exact meaning?—My idea is that after the loan has doubled itself, the law should compel the creditor to have only 6 per cent interest after the renewal. If the creditor has charged more than this rate, he will not get more when he comes to court, that is to say, the debtor will get relief in court against the excess charge.

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You have suggested that the mahajani system can be improved by regulation of the accounts, e.g., by paying of the account books, etc. Do you want an official to certify to the paying of account books or do you mean that a form should be prescribed and the mahajans should keep their account books accordingly?—I do not want the Government to supply the account books. The form should only be prescribed once and then account books should be prepared by sowkars.

Do you advocate licensing of the money-lenders or not?—I do not wish to compel all the money-lenders to take licences. I would only give some facilities to money-lenders who would take out licences such as loans be advanced to them by Government on easy terms. But I do not favour compulsory licensing at all.

Replying to Rao Bahadur Brahma, the witness said: There should be no compulsion in licensing money-lenders. There should be two classes of money-lenders: those who would agree to licensing and those who would not. For those who would agree to be licensed, some facilities should be given by Government. Government should give such money-lenders facilities for obtaining money at a lower rate of interest for the purposes of their business.

Rao Bahadur M. G. Deshpande: You say that the debtor is bound to give his produce to the creditor at a fixed price. Do you know of actual cases of this nature? What is the rate of interest in such cases?—I know of actual cases. The interest is generally lower than the market rate. Such cases are not common.

As regards cases where the debtor promises to work himself or make his family members work for the creditor, is any interest paid for these loans?—This is generally the case with labourers who have no lands and who take loans. They agree to serve the creditors, and the wages they get are also lower than the market rate. This is very common.

Professor A. C. Sen Gupta: Is the rate of *barhi* different for different crops?—For rabi crops, it is one rate and for kharif crops it is a different rate, which is double the former one.

Have you got much experience of practical agriculture?—Yes. I am a tenant holding about 40 acres of occupancy land in Khurpa.

Do you want the rights of transfer?—I do not want. But this right may be given on the lines, provided for in the Land Alienation Act, whereby revenue officers have authority to lease out lands for 20 years and not to sell it. Cultivators will get money and, after some time, the land will come back to them or to their family.

You want to protect *khadi* against Indian mill made goods also?—Yes, to give stimulus to its encouragement.

You will also compel the cultivator by this protection to use cloth which he would otherwise not use?—Cultivators already use *khadi*.

You suggest a sort of legislative fixation of the maximum rate of interest and, although you agree with Rao Bahadur Brahma that it will not be always possible to enforce it, you think that if this maximum is not unduly low, it will have an effect in lowering the general rate of interest in spite of the evasions?—Yes.

You complain about pages of account books being charged by petty money-lenders. Do you know of any actual cases or is it only a mere suspicion?—It was brought to my notice in some cases. I remember one case in which a plaintiff sued for a particular amount and the plaint was dismissed. But I do not know whether the court found out that the pages of account books had been charged or not.

Rao Bahadur M. G. Deshpande: As regards the co-operative movement, you say that tips are given to Moharrirs. How can you prevent this?—Purification of the heart and strict supervision is all that is required.

You say that industries should be carried on with Indian capital and Indian labour. Would you explain your meaning?—We have sufficient foreign capital and we are being overburdened with interest charges. In the first place we should encourage our own capital and the industries should be managed by Indians only.

MR. NARAYAN SINHA,

As regards the activities of co-operative societies, you say that they should not be centered in towns, but in village markets. Would you explain your meaning clearly?—The headquarters of the banks may remain in towns, but they should go to village markets if they want to work in association with the villagers. There are village societies now.

Can you tell me why the *barhi* rate is different for different grains?—There are two rates, one for rabi crops and the other is for kharif crops. The latter is double the former, for the reason that the rabi sowings require more seed than the kharif crops.

Rao Bahadur M. G. Deshpande: Will you please explain to me how the productivity of the soil will be reduced by the employment of foreign capital?—I am sorry I did not mean to say like that. I have written it from the point of view of Indian management, *i.e.*, from the viewpoint of the nation, as a whole.

You have advocated a fixed rate of 6 per cent interest on renewed bonds. Do you not think that litigation will increase as a result of your suggestion if sowkars refuse to renew the bonds at 6 per cent?—It may, but at the same time I think it will bring some check on the money-lenders.

You have suggested that signatures of debtors should be taken on the account books. Do you mean to imply that signatures of debtors should be taken on account books irrespective of execution of documents?—Yes.

Seth Narsinghdas Daga: You have said that loans are advanced and the debtors (bataidars) are required to repay the loan by working in the fields with or without remuneration. Do you mean that *begar* is taken from them?—No. They are paid a little less remuneration. They are mostly servants.

You have said about compound interest. Do you admit that compound interest is charged by all who deal in money matters and sowkars are not the only persons who charge compound interest?—I admit.

You do not favour compelling sowkar to take out licences against their wish. Is it not?—Yes; I do not advocate compulsion.

You have advocated the use of prescribed forms by mahajans. Do you not think that even if forms are prescribed, sowkars will always be able to substitute new pages instead of old ones with the help of their book-binders?—No. I do not think so.

Chairman: Thank you.

CAPT. O'GRADY, ThomO'G Farm, *via* Burhanpur, Nimar.

Reply to the Questionnaire.

QUESTION 1.—The agriculturist cannot carry on without obtaining credit from sowkar. These are Gujrathis, Agarwalla Banias, Rohillas, Telis and Bhowras.

The rate of interest demanded from Korku agriculturists is 50 per cent for six months, i.e., the debt must be repaid within six months. If not then redeemed, the capital debt becomes Rs. 150 on every Rs. 100, and interest on Rs. 150 is charged at the rate of Rs. 3-2-0 per cent per mensem with a time-limit ending the following April. If payment is not made then, the lender demands a fresh bond, the capital amount of which on every Rs. 100 is reckoned as follows:—Rs. 100 original loan plus Rs. 50 interest for six months, plus interest at the rate of Rs. 3-2-0 per cent per month. If the debtor avoids signing the bond, the creditor files a suit. Summons from the court follows, and generally the Korku fails to appear, moved by fear or ignorance, or both, and a decree results automatically. If the Korku does attend court, almost invariably unrepresented, he is asked whether the bond in suit bears his signature or mark, and he admits that it does, and a decree follows. The court may or may not ask the Korku whether at any time he repaid any portion of the debt, and if he claims that he did, he is called on to produce receipts for such payments, which he cannot do because sowkars do not grant receipts: a decree in full follows. As a rule sowkars require a mortgage bond before advancing money, and this mortgage bond is nothing more than a form of sale to circumvent any action the debtor may take. The bond gives the creditor complete power over the debtor's crops, and if the sowkar is an honest man, he will limit his takings to the full extent of his claim, but if he is not straight, he can, and often does, keep the full value of all the mortgaged crops. If the debtor claims an account, he is put off till worn out. Even then the debtor often gets no acquittance, nor does he get back his original bonds.

The sowkar treats the Kunbi, the Gujar and the Brinjara in much the same way, but the rate of interest on the first transaction is reduced to 25 per cent. He is also more on guard, realizing he is dealing with a less ignorant agriculturist.

The only other lending agency is the co-operative credit bank. The interest charged is Rs. 12 or Rs. 16 per cent per annum according to the position in which the Central Bank, Nimar, finds itself in its indebtedness to the treasury. This bank would be, as it was intended to be, a boon to the agriculturists, but the light hearted way in which things were done, at least in the past, soon found the bank in so critical a condition that the treasury had to bolster it up, and it was then that sanction was given in an evil moment to the sale of ryotwari lands over the heads of those unfortunate tenants who were in the grip of the Central Bank, disregarding the provisions of the Ryotwari Act. The lighthearted action referred to consisted of insufficient enquiry into the stability of applicants for loans, the winking at loans made being used for marriage, other non-agricultural purposes, and too little attention in time to making recoveries. Whatever defence may be put forward for violating ryotwari rights as a temporary measure in order to support a tottering institution, there can be nothing to justify the continuance of action which puts up ryotwari lands to sale to the highest bidder and so possibly introduces the exploiter of land while ejecting the bona fide agriculturist.

QUESTION 2.—All crops are sold through brokers who batten at Burhanpur, and in dealings with whom the Korku is always completely mystified. Samples of cotton, for instance, are shown at the municipal market and put for sale to the highest bidder. Bids are recorded, and the purchasing *dalal* and the cultivator proceed to the gin for which the *dalal* acts. Arrived there, the cotton carts are put on to the weighing machine, and the cultivator is told that the hour is late and the transaction will be completed the following morning. This delay exposes the cultivator to extreme discomfort and to the expense of providing himself with extra food supplies, and of fodder for his cattle in a town where both are dear. But this is not all: the morrow brings to the cultivator the staggering information that his cotton is not up to the standard of the sample, and he is offered a lower rate which he is forced to accept.

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The Korku takes what is given, and returns bewildered and embittered to his village at the nearest point to which a grog shop tempts him, and he seeks consolation there.

QUESTION 5.—An estimate disclosing for purposes of remedial measures the indebtedness of the agricultural classes will take some preparing, and cost some money, but its value would be great. The writer knows of no enquiry having the preparation of such a record in view. If intelligent patels and public spirited malguzars lent their aid to an officer on special duty, a very useful record would be available. An attempt has been made by the writer to secure such information for the two villages he controls, and though amatuerish it is not without its use in an effort to protect the ignorant and timid, but truthful Korku.

Indebtedness is largely due to its growth by compound interest. The writer is unaware of the Usurious Loans Act being availed of, but civil courts could do much in that direction, and the grant of receipts and the rendering of written accounts to debtors by the sowkar should be insisted on.

The influence of the co-operative credit bank has already been dealt with. Kunbis, Gujars, Brinjaras and a few Korkus secure their savings by purchases of gold, prior to which the money is buried in secret places.

The agriculturist classes are profoundly ignorant of the advantages of the post office savings bank and of post office cash certificates, and it is for the post office to advertise in a telling and convincing propaganda. Cash certificates should be printed biglot, English and vernacular. There is no such thing as the "Cheque habit", even shop-keepers and other traders know or affect to know nothing of cheques, even though they deal in hundis. Salaries and other dues of Rs. 50 and above should be paid by Government by cheques on the Imperial Bank, a branch of which should be opened at Burhanpur, at least during the cotton season.

Oral Evidence.

Nagpur, the 11th February 1930.

Chairman: I understand that you are the patel of two ryotwari villages in the Burhanpur tahsil of the Nimar district?—Yes.

How much land do you cultivate yourself?—I hold nazul land 27 acres and 180 acres of ryotwari land; but Government was good enough to give me special powers of nomination of my successor as I had expended large sums in reclaiming 180 acres of ryotwari land from virgin forest for cultivation.

I understand that your villages are situated in a large tract of newly reclaimed land?—The villages are 2 of the Manjrood tract which has been reclaimed within the last 25 years. Most of the surrounding villages are also held in ryotwari tenure.

In your statement you have pointed out that the rate of interest which the money-lenders charge from Korku cultivators and others is very high. These cultivators are Government ryots in ryotwari villages without the right of transfer and have no security to offer?—They have no title.

The rates of interest which you have given in your reply are of course very high; but do you think that it is partially due to the fact that ryotwari tenants have no right of mortgage or of transfer in their land?—The high rate is partially due to the fact that they are unable to secure their loans by mortgage.

During your long experience of the tract, have you found that malguzars and other persons in the surrounding malguzari villages who can give security get money at lower rates of interest?—I have no personal knowledge.

Do you consider that the Korkus are very heavily indebted?—Absolutely overburdened with debt.

What is your idea of the main cause of their indebtedness?—They are improvident and intemperate and these two things go together.

As far as I can remember, when I went with you to one of the villages to see these people, many of them said that a large part of the debts was incurred on expenditure in reclaiming the land from the forest. Could you give us any idea how much it would cost to bring these forest lands under cultivation?—

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I think it took about Rs. 100 an acre to bring the forest land under cultivation. I remember I had spent a good deal of money in digging up roots and clearing the forest before the land was finally made fit for cultivation.

Do you mean that the 180 acres cost you 15 to 20 thousand rupees to bring under cultivation?—Taking stage by stage it comes to that. It depends upon the nature of the soil and the jungle.

As regards the timber, did you get any return from the sale of timber?—A negligible amount. Government does not seem to realize that it takes time to reclaim land from forest. The Korkus like myself gradually brought new land under cultivation from year to year: but the local Tahsildar often took action for ejection under the rules, because the whole holding was not brought under cultivation at once.

How much do you think this reclamation of land cost those who worked themselves with their families? Would it cost Rs. 50 per acre?—I think it would cost even less. They are very patient and industrious. Indian agriculturists are hardworking.

Should I take Rs. 30 or Rs. 40 per acre?—Yes.

I think 15 acres of land would cost between Rs. 400 and Rs. 500 to bring under cultivation?—Yes.

What arrangements were made to finance these operations? Where did the Korkus get money to carry out this clearing of the forest?—Some small sums of taccavi were given: but it was inadequate. Some co-operative credit societies were also formed. But in most cases the ryots had to borrow from sowkars in Burhanpur at high rates.

Has the co-operative credit movement worked well in this tract?—No. The principles of co-operation are excellent if the co-operative credit banks had followed them. But the co-operative movement there was on wrong lines. No proper enquiry was made into the paying capacity of the individual and no attempt was made to see that the loans were applied to the purpose for which they were borrowed. Eventually the Nimar bank became in a dangerous condition and Government had to help it. Then the lands of some of the Korkus were sold to pay their dues to the bank. I think this was iniquitous.

What is your estimate of the average value of land per acre in this tract?—Rs. 300 per acre is the highest and the lowest is Rs. 120 or Rs. 125. The average would be Rs. 200 per acre.

I understand Government have introduced the system of selling ryotwari plots by auction at allotment?—Yes.

When any land falls vacant it is auctioned?—Yes.

What price does it fetch in auction?—About Rs. 200 per acre.

Are you in favour of granting rights of transfer to ryots?—Yes, if right of transfer is subject to the sanction of the Deputy Commissioner.

What remedies do you propose for reducing the indebtedness of these Korkus and other people?—I am not a lawyer: but I think it could be arranged that the rate of interest should be limited. Secondly, I would like to have a survey of village indebtedness made and then by means of loans through selected bankers advances at low rates of interest might be possible. The banks might advance money at low rates of interest to the Banias or others selected to advance money to the ryots at a rate of interest slightly higher than the bank charges. I hand in a form of record of villages indebtedness attempted by me for the two villages I control.

Who do you think is more suited for financing the ryots of your tract, the co-operative credit banks or the sowkars?—The co-operative credit bank is the most excellent system for providing for the agriculturists' needs; but too little enquiry was made in the beginning as to the stability of the borrower, with the result that many borrowers were burdened with debts they could not repay. This led to extravagance, because the borrowers found themselves with more money than they ever expected and to money being spent on purposes other than agricultural needs. As regards the sowkar, the ryot cannot get on without the sowkar; but I should like to see the sowkar's activities in the way of exorbitant interest set right.

Could you give us an idea of the ordinary costs of cultivating cotton, wheat and juar and the normal outturn?—I produce a statement showing the

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gross amount in money realized by me annually from cultivation since 1922-23 up to date. This statement has been prepared from my own accounts of expenditure and income, which I keep.

Do you manure your land?—We do ordinary manuring as ordinary cultivators. Since 1922 I have not used nitrates for my fields. The ordinary cultivator should get results at least as good as mine, as my land is fairly average, representative of the land in the tract; but a better cultivator may get better results.

Rao Bahadur K. V. Brahma, C.I.E.: Taking your own tract, you would of course like to have some kind of village agency to finance agriculture. Is it not?—Yes. I would be perfectly satisfied with the village co-operative societies if the defects I have mentioned were eliminated.

Therefore if there is a very good society working in a village that is a thing which you desire?—I am opposed to village societies organized by villagers themselves. But if by village society you mean the village co-operative society, I am perfectly satisfied with it.

What kind of supervision would you expect from the bank over these village co-operative societies?—With regard to supervision, my complaint is that applications for loans were not subjected to sufficient enquiry as to the stability of applicants before loans were made. If, therefore, this is remedied, the conditions would improve.

Do you or do you not think that the ten members of the village co-operative society, if they were really active and honest, would not be better agents for supervision and control than persons from outside, for purposes of making the preliminary enquiry into applications for loans?—They are not sufficiently advanced and I would not trust these ten members. There must be an independent enquiry over and above the heads of the ten men who are jointly responsible.

You never had any idea of the internal working of a society. Is it not?—I have got a society in my own village; but I have no personal knowledge of the working of that society. I would stress that an enquiry should be made and every possibility removed of their spending money on purposes other than agriculture.

Would you be surprised that this is one of the basic principles of our activities?—Yes. But from my experience of the Nimar district, I can say that these principles have been divorced from practice.

What do you think is the reason for this divorce?—The movement was in its infancy. Everybody was more concerned in forming societies than in carrying out those principles. Societies have become spoilt children at the hands of too many people who came forward to foster them. I say with full responsibility that in a number of cases money which was lent from these societies was sent to a shop in which the representative of the bank had his son doing business. The money so borrowed was utilized not for agriculture but for purchasing cloth, etc. Such things were encouraged.

What are your remedies for improving this state of affairs, granting that the co-operative agency is the best for rural finance?—I would like to have a better paid man to enquire into the stability of applicants for loans and to take or to endeavour to take measures to prevent the agriculturists from spending money in other ways. I would also like such workers as possess a high moral standard and who would make an honest enquiry. I would further like a rule that if the money was misapplied, there should be prompt recovery and that no mercy should be shown to such people.

Would you not like the members of a society to cultivate this habit themselves?—I would desire it very much.

What would you recommend to inculcate this habit?—It is more or less an instinct.

You do not think that in your part of the country something should be done to develop this instinct?—Certainly. But till this is developed, I would like to have an outside scrutiny.

You will admit that this outside control should give place to inside supervision and mutual check, as we co-operators call it, as the country

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develops?—If people are sufficiently educated, there need not be much supervision. To remedy the present state of affairs, I would get a survey made of the indebtedness due to the bank. I would require some officer, independent of the bank, to enquire into and consider the conditions of each debtor, and that his lands be not sold until such officer reports. I desire only good results. If stringent laws are necessary to produce such results, I would introduce them. I do not know whether too stringent laws would bring the movement into discredit. I should begin with some such supervision as will put temptation out of the way of agriculturists.

Vice-Chairman: Is the soil in your tract inferior to Berar soil?—On the whole, Berar soils are better prepared than ours. There is more labour put into the preparation of the soil than in our part.

As regards these victims of overfinancing by Central Banks are concerned, do you suggest that we should try to recover their debts by fixing longer instalments and suspending their interest in order to save their lands?—If you can suspend the interest, it would do you some good. You would not lose by this; on the other hand, you would then have a chance of realizing your original sum.

You think that the present debts can be recovered in a few instalments from their net income, from agriculturists if interest is not charged?—Yes. Create agencies if you like and examine the condition of the agriculturists and find in how many years they will be able to repay. Above all I would like the agriculturists to be dealt with as human beings and not as machines.

Is the ordinary sowkar in your part now granting such instalments, or is he making them surrender their holdings?—They cannot surrender their holdings.

Is the ordinary money-lender showing human treatment?—Yes, because he cannot sell the land.

Do you think that under this system of recovery, agriculturists stand a better chance of saving something?—No; but they will be saved a great deal of harassment.

Do you know that the co-operative bank has come to this pass on account of lack of honorary workers?—I do not know.

What do you think should be a fair rate of interest which the agriculturists in your part can stand?—12 per cent maximum.

Do you think that the import of more capital will reduce the rate of interest either by expanding the co-operative bank or by starting some sort of joint stock banks or by starting some system of Government taccavi?—It depends on the competing financiers.

If we give more money to these money-lenders, do you think they will still refuse to reduce their rate of interest?—I should think so. I suggest that they should be kept under control.

You have had a little dispute with the Nimar Central Bank?—Yes, I had.

Chairman: I understand that you feel that at present if we are to grant the rights of transferring lands to the ryots without any conditions, they would lose their lands. Is it not so?—Unquestionably.

Is it not a fact that until these ryots obtain some rights in their land and until they have some form of security to give, the rate of interest can never be low?—I do not see any hope of the interest being reduced.

Quite apart from any other question, however much money we may spread about in that tract, no sane person would lend at low rates of interest to persons who have no security to offer. Is it not?—Yes.

I understand it is your view that Government should finance these people through taccavi as no other proper source is available?—I consider this as absolutely the best. But if taccavi is to take the place of the money-lender or any other agency, enquiries must be made on the spot and, if possible, money should be paid on the spot.

Do you suggest the appointment of a special officer for this work?—Yes. An itinerant officer should be appointed for the purpose of granting taccavi loans to the people and, as far as possible, the loan should be given on the spot and proper enquiry should be made into the paying capacity and assets of each person before taccavi is advanced.

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Professor A. C. Sen Gupta: Does not seasonal *sawai* of money loan obtain in your district or is it a grain *sawai*?—It is a money *sawai*.

You have stated that the co-operative credit movement has signally failed under the honorary workers. Do you think that under the circumstances, it will be better to work this department under Government agency?—I object to official agency being employed: but would not object to a paid agency. Once you learn to stand on your feet, you can learn to walk.

Chairman: But would you not agree that it is useless for anybody to try to run before he learns to walk?—Most certainly.

Rao Bahadur M. G. Deshpande: You have stated to the question put by the Chairman that the Government has come to the help of Nimar Central Bank. May I know how Government helped the Nimar Central Bank?—Government made funds available to them.

Would you then tell me if lands of certain tenants were auctioned for recovering the amount advanced by Government to the bank?—I cannot say that. I know that lands were auctioned for recovering money given to cultivators by the bank. Whether that was for recovering Government money or not I cannot say.

Since how long are you in possession of these villages?—The lands came originally into my possession about 20 years ago and I have been attending to their management since then, though for a few years I could not give that attention to villages continuously, owing to military service.

Have you tried to induce your tenants to take taccavi from Government?—Yes frequently.

Did they apply for taccavi and get it?—Yes.

Did Government consult you?—It was the other way round: I recommended some tenants for the grant of taccavi and they were given it.

In your ryotwari villages, how many voluntary surrenders you find during your 20 years' period?—I should say only one. Others could not be called voluntary surrenders.

I should like to know whether there were any ejections?—There have been no cases of ejection.

Seth Narsinghdas Daga: What is the standard rate of interest in your district?—The first time a man borrows money, he has to pay 25 per cent or what they term seasonal *sawai*.

You complain about sowkars not passing receipts for payments made to them. Is it your personal experience or have you learnt it from your tenants?—I have asked many sowkars whether they pass receipts and they say they do not, as the payments are entered in their cash books.

When new bond is executed for the old one, do sowkars not render any account?—Not only do they not render any account, but they even retain the old bond with themselves.

Do you mean to say that debtors do not go through the account?—How can a Korku read his account.

When they write a new bond in place of an old one, do they not mention the exact amount due on that date and also that the old debt is cancelled?—They do: but the debtor is always anxious wondering if he will get into trouble on account of the old bond with the sowkar.

You say something about charging compound interest in your written statement. Will you please tell us if sowkars alone charge compound interest or all the creditors charge it?—I do not know exactly: but it is likely that others may also be doing it.

If the interest is paid regularly, the compound interest will not be charged. Is it not?—Most certainly.

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Do you think that to be the fault of sowkars?—No.

Would you admit that if the supply of money is deficient, the rate of interest will go high?—Yes.

Witness: May I suggest that Government should introduce some system on the lines of Paris Municipal Bonds. These bonds to be agricultural premium bonds. Such bonds could have their own place in a drawing bank and would ensure some amount of money to an agriculturist at any time.

Chairman: Thank you.

Statement of crops and yields from 1922-23, to 1929-30.

Season.	Crop.	Area sown.	Amount realized.
1922-23	Cotton ...	...	...
	Jowar ...	80	64,000
1923-24	Cotton ...	20	900
	Jowar ...	120	27,000
1924-25	Cotton ...	15	1,400
	Jowar ...	140	10,500
1925-26	Cotton ...	35	420
	Jowar ...	120	6,750
	Wheat ...	20	450
	Gram and masur	10	480
1926-27	Cotton ...	20	600
	Jowar ...	130	8,500
	Wheat ...	20	1,260
	Gram and masur	20	750
1927-28	Cotton ...	20	480
	Jowar ...	141	8,633
	Wheat ...	40	1,494
	Groundnut	24	700
	Gram and masur	9	500
1928-29	Cotton ...	10	200
	Jowar ...	141	8,639
	Wheat ...	40	1,700
	Groundnut	16	810
	Gram and Masur	9	600
	Rice, etc.	...	400
1929-30	Cotton ...	70	3,944
	Jowar ...	43	1,000
	Groundnut	8	480
	Tilli ...	13	260
	Wheat, gram and masur	...	Not yet got in from field.

NOTE.—Average yields per acre:—

Cotton, two pullas or 480 lbs.

Jowar, five bags or 960 lbs.

NOTE.—In calculating value of yields no account has been taken of the value of karbi, kutar, etc., all valuable fodder, not offered for sale, but used up for farm cattle.

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**SETH THAKURDAS GOVERDHANDAS, M.L.C., Banker and
Landlord, Burhanpur.**

Reply to the Questionnaire.

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

QUESTION 1.(a), (b) and (c).—From these purposes the agriculturist obtain finance from the co-operative bank, Government and mostly from Indian bankers. In this province co-operative banks have not been established on a sufficiently large scale so as to meet all the demands of the agriculturist. Government gives loan to a very small extent, but its benefit always goes to the ryotwari cultivators, malguzars and other agriculturists of higher status. An ordinary agriculturist is benefitted to a very small extent. Under these circumstances the agriculturists are, to a large extent, dependant on the indigenous bankers. Again, it is not that all the demands of the ryot and the malguzars are satisfied by Government; they also have, to a large extent, to depend on the mahajan.

The indigenous bankers can be divided into three classes, viz.—

(i) Those whose business is on a large scale and who also deal in hundis. They charge a rate of interest which ranges from 9 to 12 or 15 per cent: but it is usually under 12.

(ii) Those who do business on their capital and to some extent on the loans taken from other bankers. The rate of interest charged by them ranges from 12 to 18 or even 24 per cent.

(iii) The Kabulis, the Punjabis, Multanis and other unscrupulous Marwaris. These have no fixed rate of interest. They do not advance loan at a rate of interest less than 24 to 36 per cent. They advance money on the condition of its repayment within four months demanding one and quarter, one and half of even two times the principal. Poor persons usually borrow money from these money-lenders. These money-lenders use very coercive measures to recover the amount. They recover it by abuses, force, shoe-beating and by all fair or foul means. The manner of obtaining justice being very inconvenient for the poor, they have no other course open but to keep silent.

(a) The period during which loans are generally taken is from May to the end of September or the middle of October. This loan is usually taken on the condition of its repayment at the time of the harvest and is usually given on the personal security of the agriculturist. If his condition is unsatisfactory and he be heavily indebted, his property is mortgaged. If his condition be quite destitute then in that case his crop is mortgaged.

(b) Loan for capital or permanent improvements is given either on the personal security or by mortgaging the immovable property of the agriculturist.

(c) For these purposes loans are usually given on the security of land.

The cultivators derive no benefit from the Imperial Bank. The same is the case with joint stock banks. The cultivators manage their affairs with the aid of the co-operative banks and the sowkars.

It is difficult to estimate the total amount of capital required for these purposes. It is also difficult to give an estimate of the extent of grain advances. The main crop of this district is cotton and as such the rate of the cotton seed that is advanced to the cultivators is fixed. The rate is of course higher than the market rate; and whatever be its price the rate of interest is based on that amount and a bond is taken.

There is no co-operation among the various loan advancing agencies. A banker does not get any money on his personal security from co-operative banks when he is required to advance loans over and above his capital. He therefore manages his business by drawing on his agent (adatyā) in Bombay.

QUESTION 2.—The main crops of this district is cotton. Next comes juar and others. When the harvest is reaped the produce is sold in the market through the brokers.

For the formation of pools and co-operative efforts in marketing the produce to be successful, spread of education among the cultivators is very necessary. The cultivators would no doubt be benefitted by the formation of pools.

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In the different systems of remittance hundi is the best. It is much in vogue among the merchants and is very old system of remittance. Formerly, when there were no railways and post offices and when people were in the constant danger of being looted on the highways, hundi was much prevalent among the cultivators and was the only instrument of remittance. Now that notes and bank cheques, etc., have come into being the practice of hundi has much diminished; but even then some 50 per cent of the merchants remit their money through hundis. Hundis are usually of one class, viz. "Darshani" hundi (to be paid when presented). "Mudati" hundis (to be paid after a certain period) are sparingly used.

In the western part of Nagpur and Jubbulpore hundis on the Bombay merchants are common and in the eastern part hundis are ordinarily drawn on the Calcutta merchants. These hundis are transferrable. If a hundi is drawn on a person residing in Calcutta, it is sent there for encashment. The same hold good for Bombay hundis. Without any let or hindrance a hundi can be sold in the market and cashed, provided, however, the person selling it has some credit.

The system of paying money on the railway receipt is also current. I would welcome godowns on the lines of the godowns provided for custody of tea on the Darjeeling railway line.

QUESTION 3.—In this part of the province the price of land is dependant on the blackness of soil. Blacker the soil higher the value it fetches. The price per acre ranges from Rs. 100 to Rs. 300 and Rs. 400. Sudden fluctuation in the price of land depends on the crop sown in the field. When once the price of cotton was Rs. 70 to Rs. 75 the price per acre had risen to Rs. 500 to Rs. 700.

(a), (b) and (c) The value of land purchased by private negotiations is always higher.

QUESTION 4.—There is no bank to mortgage land, the Indian bankers deal in this business. Ordinarily, they employ their own capital. Only in times of need they take loans their Bombay bankers and manage their business. Land Mortgage banks should be established.

(a) In the Bombay Presidency no sooner the mortgage or sale deeds are registered than the information is transmitted from the Registrar's office to the patwari of the circle to which the property belongs and he makes the necessary entries in the register of his circle. Under these circumstances same person cannot again mortgage the same property and receive money nor can he take a loan by mortgaging a property which is not his own. The bankers are therefore safe against such a great deceit.

(c) In order that the patwari may receive some gratification he does not readily show the papers. Similarly, the registration clerks take a rupee or two for every document. The Nazir of civil courts demand a rupee or eight annas for every summons which passes through his hands. The process-server also ask for money. In civil and revenue courts money is habitually extorted. People always blame those that pay. But they have no other alternative but to pay; and the burden of this at last falls on the cultivators. Government does not seem inclined to stop this practice. This fact is known to the Judges and Magistrates; but they conceive at it as the person, who gives money, also comes under the clutches of law he does speak against the clerk. Even if any such complaint were to reach the officer, there is always a tendency on his part to suppress it. It is now very necessary for Government to look to this.

Working capital of the land mortgage bank should be raised on debenture bonds carrying Government guarantee. This bank should also receive deposits. When necessary it may also borrow money from the Central Bank. Mortgage bonds of the value of the debentures should be assigned to Government to save Government from loss. The debentures of the mortgage banks should be included in the list of securities.

Land mortgage banks should not take loan at more than 6 per cent and should not charge more than 9 per cent on sums advanced by them. This difference of 3 per cent should be sufficient to meet the cost of management.

It is very difficult to estimate accurately the total indebtedness. It is well known that the agriculturist is overburdened with debt. If, however, it be necessary to estimate this figure, bonus should be paid to the patwaris and they be asked to report on the indebtedness of every cultivator in his circle.

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Loans to a great extent are taken from the mahajans and the local bankers where the cultivators reside. Sometimes the debt is even twice or thrice the principal when no interest is paid.

Among the principal causes of indebtedness are the following:—

- (i) want of education;
- (ii) The practice of doing things in the same old style handed down from father to son; and
- (iii) the enhanced land revenue.

It is owing to these that the cultivator is in such a destitute state. The rate of interest ranges from 9 per cent to 18 per cent. The accounts are kept well; but some dishonest bankers usually take the advantage of the ignorance of the cultivator and thus make false accounts. The deduction of discount to the extent of 1 per cent or more and of some amount from the loan advanced should be stopped.

Owing to the indebtedness some cultivators have to part with their land. It is necessary that the cultivators are enabled to repay the loan taken. Cultivators do not take any advantage of irrigation facilities where they are provided. They do not take out two or three crops in a year as is the practice in other provinces. On the contrary the irrigation works are a burden to this province and the cultivators feel the burden of the taxes thereof. It is very necessary to educate the cultivators as to how to take out a double crop by means of irrigation and how the cultivation of sugarcane and garden crops can be made profitable. There is no Famine zone in this province and the condition of the cultivators is the same throughout the province, the only difference being that the cultivators in the cotton-growing tract have more money playing in their hand, but at the end of the year they are also reduced to the same level. If no proper arrangements are made to stabilize the condition of the agriculturist and if the present state of affairs continues, it will adversely tell upon the merchants and Government will also have to face much trouble.

QUESTION 6.—There are some subsidiary industries allied to agriculture; but before the agriculturist is allowed to undertake them it is necessary that he should be educated. In order that he may be able to introduce new implements to secure greater outturn, he must be educated or else it is likely that he might sustain loss. Dairy-farming on a small scale can be started at the home of every cultivator, but Government does not seem to take any special interest in this direction. Tons of vegetable ghee are being imported and sold dealing a death blow to the dairy business; but Government is conniving at it. If no attempts are made to improve this situation, it is very likely that in the near future people will have to depend on tinned milk.

The other industry which an agriculturist can very easily take up is that of spinning and weaving. If the cultivator discards the foreign cloth and takes to hand-woven *khadi*, he would be immensely benefitted. The durry-making industry can also be profitable. The kosa-weaving industry is working satisfactorily in this province; but no efforts on the part of Government have been made to improve it. It is very necessary that this industry is introduced in other parts of the province and can be easily done. The silk worms grow on castor trees and the agriculturist can get much profit by its cultivation. An enquiry should be made whether these worms can thrive in the atmosphere of this part of the province and if it is ascertained that they can, this industry should be introduced soon. In the earlier stages the cultivators would not be able to draw silk out of it and as such Government should purchase it on a co-operative basis and make arrangements for the making of silk. Where there is a facility of irrigation the cultivation of garden crops should be encouraged. Instruction should be imparted as to how fruits could be kept in tact for long periods, how they should be dried or ripened and how to draw out their juice and thus secure greater profits. In this province plantains are plenty, but the cultivator does not know of any other use except to sell them. If these plantains are dried, they will surely be very profitable. Papaiyas are also abundant. The manufacture of *papai* from the papai and such similar things should be demonstrated on an extensive scale and should be extensively encouraged among the agriculturists. In order to start such industries the co-operative banks should help.

QUESTION 7.—The co-operative banks have little concern with the Imperial Bank or the joint stock banks.

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The rate of interest on the postal cash certificates being high, people are always inclined to buy them.

In order that the co-operative banks should work satisfactorily a very large capital is needed. Even 2 to 4 crores would not suffice.

There is no competition between the joint stock and co-operative banks. Competition is only in the case of receiving deposits.

For the improvement of the co-operative movement the exemption from income-tax and the inclusion of the debentures of the Provincial Co-operative Banks in the list of trustee securities are necessary.

The Usurious Loans Act is not being availed of to any extent. Whatever be the rate of interest in the document, the court should not allow more than 12 per cent.

It is necessary to enact a legislature such as the English Money Lenders' Act or the proposed Money Lenders' Bill for the Punjab.

II.—Indigenous Banking.

QUESTION 1.—The indigenous banker deals in money-lending, gold, silver, cloth, grocery, grain by borrowing capital from others, encashment of hundis, receiving securities, etc.

QUESTION 2.—It is these bankers that assist in financing agriculture, trade and industry.

QUESTION 3.—(a) A very large portion of their capital is advanced to cultivators.

(b) The volume of their business is very great.

(c) Their expenses are:—Establishment enquired for keeping accounts, etc.; taxes like the income-tax and bad debts.

(d) An indigenous bank can conveniently secure money when required; it can get money from the joint stock banks. The indigenous bank can, however, take no advantage of the Imperial Bank. The management is usually in the hands of foreigners and as the agent has no special powers he cannot make any changes in the procedure. When money is required one has to furnish surety of two or three banker to the Agent. This is a great drawback.

QUESTION 4.—When an indigenous banker takes a loan from another he gives a promissory note on one anna stamp or gives a moderate hundi (to be cashed after a fixed period). A sample form of a promissory note is enclosed herewith.

QUESTION 5.—Loans are advanced to the extent of the value of the property held by the debtor. The rate percent per month is Re. 1 or less. If no interest is remitted within a year, compound interest is charged. These are the conditions. This business is managed by receiving deposit or borrowing capital from their respective agents in Bombay.

The rate of interest charged on the security of gold and silver ornaments is usually 12 to 18 per cent. If a debtor wants, he can get the loan in the shape of goods from the banker. Some bankers make it a condition to give loan in the shape of their goods.

QUESTION 6.—It would no doubt be profitable if the rates of interest, viz., 1, 1½ or even 2 per cent per month are reduced, but in order that the cultivators should take its full advantage spread of education is very necessary; as otherwise they usually spend their saving in drinking, prostitution and other bad habits.

QUESTION 7.—There is no prejudice against the indigenous bankers. They do not stand in need of any more protection in law.

The application of income-tax is very defective. The assessment throughout the province should be according to the rulings given in 24 N. L. R. 176 and 25 N. L. R. 35. In England the losses incurred by businessmen in a bad year are debited from the profits secured in a good year and taxes are levied on the difference. The same practice should be followed here. When the whole

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taxation has been based on English law it is not known why this provision has been omitted. If this continues, it is not possible to better the condition of businessmen.

Barring a few dishonest persons, the dealings of the bankers with their clientele are satisfactory. Spread of education among the cultivators is the only remedy to save them from dishonest dealings.

QUESTION 8.—Loans on liberal terms should be advanced by the Imperial Bank to bankers of good credit. Charging interest at the rate of more than 1 per cent per month should be restricted by law. The bankers would thus make large business and it would also reduce the burden on their clientele. The practice of deducting discount, etc., should be stopped.

Barring a few exceptions of low class bankers the accounts of other bankers are properly maintained and client can see them when he likes. But even then a law should be enacted whereby any client should compel his banker to show his account by filing an application, with an eight anna court-fee stamp, in the court of an honorary magistrate, so that the banker may not be able to make some changes in his client's accounts.

QUESTION 9.—After making allowance for expenses, bad debts, etc., they hardly get a net return of $\frac{1}{2}$ per cent per month.

QUESTION 10.—Many times bankers are obliged to refuse loans on account of the insufficiency of the capital.

QUESTION 11.—A branch of a local bank with local directors should be established in every big city. The co-operative banks should assist the agriculturists, while the local bank should assist the indigenous bankers.

By including among the directors a few well reputed bankers of the province the Provincial Central Banks would command the confidence of indigenous bankers. The management should be wholly Indian.

If these banks are started with sole object of assisting the indigenous banker the question of competition would not arise.

QUESTION 12.—Some years ago such was no doubt the case; but now no such surplus amount remains idle.

III.—Investment habit and attraction of capital.

QUESTION 1.—There is a bank in every big centre, while in other parts the indigenous bankers do the money-lending business. The postal savings bank can also come under the category of banking.

Among the means or institutions for encouraging savings and investment are banks, indigenous banks postal savings banks and postal cash certificates. The life insurance companies also help in encouraging saving.

Banks, as big as the Imperial Bank, being only the centre of districts, the general public can take no advantage thereof. Indigenous bankers refuse to receive small deposits; or if they do, they do not give any interest thereon. These bankers are therefore of little use to the petty investors. Postal savings banks give a nominal rate of interest and that too on the minimum amount at one's credit in a month. These are therefore not popular with the cultivators. With a few changes in the savings bank rules the postal savings bank would be much popular with the agriculturist. The rate of interest should be increased and the rule regarding the calculation of interest should also be changed. Wherever there is a small post office facility of savings bank should be provided. As the savings bank becomes popular, the habit of investing in gold and silver will gradually diminish.

QUESTION 2.—The practice of purchasing the postal cash certificates exists only to a very limited extent but in order to make it more popular cash certificates should be widely advertised. Some of the educated persons do not now understand its advantages.

If the rate of interest is increased to 6 per cent and if the period of its encashment is reduced from 6 to 1 year, they would command a big sale.

Usually, persons in Government of other services resort to the savings bank.

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It would be quite justifiable to accuse Government—or competition with banking institutions and bankers in regard to deposits, because of the attractive rates on postal cash certificates. Not only this, but Government can also be charged for arresting in this manner the capital of the country and thus making it available for the benefit of foreign merchants.

QUESTION 3.—In 1925 10 crores of rupees were collected through postal cash certificates and nearly 25 crores of rupees through the savings banks. All this went to the Imperial Bank. As it is not required to pay any interest on Government money, it gets an unfair advantage over the indigenous banks. Imperial bank is not allowed to deal in foreign exchange and therefore it has no other activity left but to compete with Indian merchants. Majority of the Directors in its management being Europeans, foreign companies have much credit with this bank and as a matter of fact, it is, they only who are taking the full advantage of it. This bank is not at all useful to the public. In order that no evil may come out of the money collected through the postal certificates and savings bank, it is very necessary that the amount should be deposited with the co-operative banks. The amount collected from the poor should be utilized for their good. It should not be available to foreigners.

QUESTION 4.—If there be a slight mistake of spelling in the cheques they are refused by the banks. Vernacular script should therefore be introduced for cheques.

QUESTION 5.—It is very necessary to educate the people to invest their saving in productive undertaking. In countries like Switzerland there are savings banks in schools for the children and every student is required to open his account with these bank. The conductors of the schools add an amount equal to the savings made by the student and as such the student cultivates the habit of saving from his child-hood. And when he leaves the school he has some (concrete) ideas and his some money in his pockets. This practice should be introduced here also.

An extensive propganda should be undertaken by Government among the cultivators instructing them as regards the saving habit.

The several branches opened by the Imperial Bank are only competing with the indigenous bankers and are helping the foreign businessmen. It is reported that some of the branches are working under loss.

A sufficiently large amount is collected through the insurance companies but most of them being foreign, the amount thus collected is invested in foreign countries. There are some Indian companies, but it is reported that their amount is also invested in America and other countries. Legislation should be made whereby Indian capital should remain in India.

Form of Promisory Note.

	}	The receiver of the note.
	}	The giver of the note.

Rupees.

I the giver of this note give this note to the receiver of this note that I will pay at any time your demands your rupees _____ in words _____ along with the amount of interest at the rate of Rs _____ or would pay to one to whom you may direct me to pay. This note has been written by me of my own free will.

Mitt. Samvat. Date. Month. Year.

Witness.

Signature or thumb impression.
SETH THAKURDAS GOVERDHANAS.

Oral Evidence.

Akola, the 7th February 1930.

Chairman: I understand you are a member of the Legislative Council on behalf of Nimar district rural constituency?—Yes.

How much money-lending do you do?—I do money-lending to the extent of 6 lakhs of rupees.

Does it extend only to Nimar district or outside the district also?—Only in the district.

Do you own land?—Yes, I own about 800 acres of land.

Is it all ancestral or did you get it in lieu of debt?—About 300 acres of it is ancestral. Out of the remaining 500 acres, some of it I have received in lieu of loans and some I have purchased.

You say in your memorandum that the rate of interest is 9 to 18 per cent. In our intensive survey we have found the rate of interest in the Nimar district to be as high as 36 per cent. Do you admit this?—In my reply I have stated that there are three kinds of rates—(1) 12 to 15 per cent (2) 15 to 24 per cent and (3) 24 to 36 per cent.

In our intensive survey we have found that the rate of 3 per cent has been charged on loans advanced to persons who had malik-makbuza rights?—There may be a few instances of this kind, but not many. You suggest there should be some improvement in the method of maintaining record of rights. Do you refer to Central Provinces or Berar?—I refer to Central Provinces when I make that recommendation.

You say that many Government servants accept bribe?—Why do people bribe them?—Those who want some service from these persons have got to bribe them.

Do you know that clerks and servants and some sowkars also accept bribes?—No. It might be in vogue where owners themselves cannot pay proper attention to business.

What remedy do you suggest to check the evil of corruption amongst those people?—I have no definite remedy, but Government should do something.

Do you think the evil will be checked by raising pay of these servants?—Yes.

Do you agree that a high rate of interest on deposits must also keep up the rate of interest on advances?—Yes.

Do you agree that if a co-operative bank pays a high rate of interest on deposits, joint stock banks and other bankers will also have to raise their deposit rates?—Yes.

You agree that it is most important to keep the rate of interest on deposits as low as possible having regard to the state of the money market?—I agree.

Would you go so far as to say that the rate of interest on Government loans is kept up by the high rate of interest on deposits which co-operative banks allow?—It is possible that one of the reasons why the rate of interest on Government loans is not less is owing to the high rate of interest given by co-operative societies on deposits.

Do you think it possible for indigenous money-lenders to obtain deposits at lower rates of interest than the rates paid by co-operative societies?—No, it is not possible. I think that the rate of interest granted on deposits by the co-operative banks must react to certain extent on the general money market.

Do you take money on deposit?—Yes.

If it was possible to arrange to supply you with money at a lower rate of interest, would it be advantageous to you?—This would result in a reduction of the rate of interest which we bankers would charge to borrowers.

You have criticised the Imperial Bank. Do you agree that the Imperial Bank is an apex bank in India in some respects similar to the Bank of England, and that if any doubts about its solvency arose, there would be very great confusion in the money market and many persons might go bankrupt?—Yes.

It follows then that the Imperial Bank should not indulge in any kind of risky transactions?—Yes, it should not enter into any risky transactions.

Do you favour legislation prohibiting sowkars from charging interest at more than 1 per cent on loans?—Yes.

SETH THAKURDAS GOVERDHANAS,

Are you of the opinion that the number of dishonest money-lenders is small or large?—In my reply I have divided money-lenders into three classes. The first class money-lenders, who charge low rates of interest, are ordinarily honest, the second class contains a certain proportion of dishonest and unscrupulous men and the third class are mostly dishonest people.

If it was laid down by law that all money-lenders should give a copy of the account to the borrowers on demand, say, twice or a year, would the money-lenders object to such a law?—Nobody except dishonest money-lenders would object to it.

Do you think money-lenders will object to passing receipts for payments received by them on account of loans?—No. I do not think anybody except dishonest sowkars will object.

If it is laid down by law that persons should not carry on money-lending without a licence, do you think there will be any harm to anybody except the dishonest money-lenders, provided there is no restriction on the granting of a licence or on the continuance of it except that the licence will be liable to be cancelled in the case of malpractices?—I do not think there will be any harm.

If the larger banks agreed to give cash credit to all indigenous bankers who get their accounts properly audited and publish a balance sheet, do you think indigenous bankers will agree to do this?—I think some of them might agree provided the audit was kept confidential.

Seth Narsinghdas Daga: Can you tell me approximately how much land did you get in lieu of loans and how much did you purchase?—About one-fourth of 500 I purchased and three-fourth came into my possession in lieu of debts.

Do you think the land you received in lieu of debts is more in value to loans you advanced or is less?—It is less in value.

If clerks of sowkars accept bribe, do you not think they will be putting their master to loss?—At times the sowkars will be in loss and at times the borrowers.

Do not the banks charge commission on hundis?—Yes, they do.

Does not the Imperial Bank charge commission?—Yes.

If the Imperial Bank gets deposits at 3½ per cent, do you think Government could also raise a loan at that rate?—Government can raise a loan at that rate of interest if they so wish.

If land mortgage banks are started, will you advance money at 3½ per cent?—It will depend on my circumstances at that time. If I have surplus money, I will advance.

Rao Bahadur M. G. Deshpande: You have stated that taccavi loans are not given freely. Why?—Government does not care to help generously.

Do the needy people get taccavi?—The needy do not get. Taccavi is given to those people who have recommendation.

Do you agree that with a special officer the distribution of taccavi would be much improved?—It could be distributed through the Tahsildar with strict supervision. In the old days cultivators had to waste a good deal of money in cart hire, etc., in coming to the Tahsil to get money; but I hear that since last year the system has been improved by distributing money in the interior at convenient centres.

Do all kinds of money-lenders use coercive methods in recovering their money?—All charge high rates of interest, but Kabulis use coercive measures to recover their money.

What improvement do you suggest with regard to mortgage transactions?—Mortgage by foreclosure should be abolished and mortgages on condition of sale should be substituted.

Chairman: Under the English Mortgage a mortgagee is entitled to take possession of the property in default without going to court. Would you recommend this?—This system will be injurious to the interests of the cultivator in the present state of education in India.

Rao Bahadur M. G. Deshpande: Is the debt enhanced by the accumulation of compound interest?—Yes.

Seth Narsinghdas Daga: Is compound interest charged only by money-lenders?—Everybody charges compound interest. The Imperial Bank of India settles its accounts every quarter.

SETH THAKURDAS GOVERDHANDAS.

MR. MOHANLAL, Extra-Assistant Commissioner, Betul.

Reply to the Questionnaire.

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

QUESTION 1.—The present system of securing loan advances for expenses during cultivation is as under:—

- (a) (1) On credit or bond from local money and grain-lenders.
- (2) By mortgaging their valuables or other landed property.
- (3) By forming village societies and taking advances from Central Bank.
- (4) By taking loans from Government under the Agriculturists' Loans Act.
- (5) By leasing out a portion, or whole of their land or mortgaging or selling out a portion of their land of transferable right.

(b) For capital on bonds or mortgage of valuables, or other landed property of transferable interest, but for permanent improvement-aid of Government is only resorted under the Land Improvement Loans Act. Some help is also given by the credit co-operative societies in these respects.

(c) For special needs, *i.e.*, ceremonial purposes, as shown above in (a) under (1), (2), (3) and (5). In case of failure of monsoon, Government aid is sought for suspension and remission of rents and land revenue, and under the Agriculturists' Loans Act and Land Improvement Loans Act; but these help have proved insufficient to meet the situation. Their main helpers are the local money and grain-lenders, societies, indigenous banks and bankers, as shown above under (a) Government and societies charge fixed rate of interest, *i.e.*, the former Rs. 6-4-0 per cent and the latter Rs. 12 per cent per annum. It is only in very rare cases that Government levy penal interest. Such interest is prescribed in rules but not in practice. As for interest charged by local and professional money-lenders, it varies, according to the demand and supply, status of the borrower, his paying capacity and credit in the market. On long-term mortgage it is charged from Rs. 9 to Rs. 18 per cent per annum, while on credit Rs. 12 per cent to Rs. 36 per cent per annum, with condition of compound interest. When loans are taken for a crop season, *i.e.*, for 6 months only, then it is charged from Rs. 20 to Rs. 50 per cent for that period only. Those who have no credit and against whom doors are closed from all sides, resort to Kabuli money-lenders whose rate of interest is Rs. 37-8-0 to Rs. 75 per cent per annum. When loans are taken for a crop season the security for payment is in most cases the standing crop. In this district Government grant loans under the Agriculturists' Loans and Land Improvement Loans Act to limited persons. Co-operative societies, merchants and dealers too are financing the agriculturists to some extent. The local and professional money-lenders are playing an important part in this respect. Grain advances are extensive. Such advances are granted on terms of repayment on the harvesting of crops.

The present prevailing system is ruinous to the growers, because soon after the close of harvesting the creditors demand payment of their advances. This hardly leaves time to the growers to await and see favourable market rates or to consider when to sell their produce. The debtors are obliged to sell their produce at whatever rate they promptly get. This defect can be removed by educating the people and by establishing well organized loan and sale-societies, linking with commercial banks, such as established in Madras. There is no co-ordination between the various credit agencies except Government and co-operative societies. There is much room for improvement.

QUESTION 2.—The present method of marketing principal crops in the district is as under:—

About 10 per cent growers sell their produce in their own villages to local or itinerant Banias and 30 per cent take to smaller markets close to their villages for sale there. They do so at some loss out of laziness and want of transport facilities and also to avoid the worries of a rather tedious journey to the central markets. At times a pressing need for money also tends to sales to local Banias. In many places these Banias are also the village sowkars and lend out money at a fairly high rate of interest to village cultivators, and they press their demands when the crops are ready for market and purchase the same at the farm at convenient prices. When their stock swells, they themselves take it to central markets and make a profit out of it

MR. MOHANLAL.

In open season every thing goes on well, but when monsoon breaks the traffic is practically suspended for four months. It is, however, mostly in the months of April and May that cultivator exposes all his available produce to the market at the prices, then prevailing for various reasons. He is at times hard pressed by his creditors at other payment of rent, his own expenses, etc. He then sells away all he can. He does not store and seldom waits for a high market. In fact, in a majority of cases indebtedness would not allow him to withhold his stock. He sells because he must, no matter the prices are low, and as a fact they are generally so at harvest times.

As for system of marketing, it may be said without fear of contradiction that little facility is offered to the growers either in their village, or smaller markets in the interior or in bigger markets in the central places. As said above, the grower sells his produce to the village or itinerant Bania without minding fetching little less price at his own house. In smaller markets in the interior people do not find customers for large stock and they must out of necessity take their produce to the central markets in their carts, and the same is sold through *dalals* and *adatyas* in some places, while through *adatyas* in others. The *dalal* or the *adatyas* charges a small commission on a scale fixed locally. In smaller markets the system of open bidding prevails, while in central markets, the *katha* system or concealed fixation of prices is in vogue. Prices are generally fixed on cursory examination of the stuff in presence of the sellers and the purchasers, or his agent or *adatyas* and when once fixed, they are not generally liable to reduction unless of course the bulk differs widely from the sample or the entire contents of the big heap are not the same as the outer one is.

Bazar committees have been formed in bigger centres, with representatives of the sellers to safeguard their interests and to see that their goods get fair prices. Byelaws have also been framed and introduced for using correct weights and measures. In spite, however, of these precautions the sellers escape payment of heavy tolls. Their representatives on the committee evince little or no interest in the matter. They are always at the mercy of the cunning Banias and their shrewd followers, who move after them and not, are charitable at their expense. He must pay the sweeper, because he cleans the Bazar, the labourers, because he plasters the place with cowdung, the temple, or mosque, because of Dharmada. He must subscribe to the several institutions in vogue at the centre and when after a patient waiting he is paid for, he finds, and feels that deductions have been made already from the prices of his produce. He then says: "I would have been much better off by selling at my own house at a rupee or two less than the price I got here." In short, in these big central markets too the grocers are not quite safe for the sale of their produce. In my opinion there is every possibility with proper education of the producers, of forming pools and of co-operative efforts in marketing produce. Collective marketing was obviously more efficient and profitable than marketing by individuals.

There is no credit facility for the financing of products during marketing, such facilities are badly required for the benefit and poor producers in form of loans at this period, by the duly well-organized loans and sale societies linking with commercial banks, such as established in Madras.

In spite of the above facilities, the internal trade is wholly and solely dependant on foreign trade. The rates are regulated on foreign demand and exchange rates.

The Central Bank takes no part in the process of marketing. There is no other bank in the district bankers, merchants, dealers and itinerant Banias play their part in marketing.

There exists no facility for internal remittance, therefore the question of pointing out defects in them does not arise.

It is the negotiable instruments, which give courage and finance to merchants for carrying on with the internal trade.

Bills are sure and safe for prompt supply of funds. Their extensive use is desirable in interest of the internal trade. Reduction of duty will make them more popular and will remove the difficulty and risk of merchants in obtaining promptly finance.

There are two kinds of hundis, viz., "Dashani", i.e., prompt payment on sight of it, and "Mudati", i.e., payment after a specified period.

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No. The Act if properly used has provided sufficient guard to protect the public and the bankers handling hundis.

No. The Act has provided sufficient safeguard to protect the public and the bankers handling hundis.

Hundis are discounted in other than the place of their encashment wherever they are cashed. They are held by middlemen, merchants or commission agents.

For raising money during the process of marketing besides railway receipts, *bijak* and *chitthi* of the selling merchants are also employed as documents of ownership of goods and produce.

The difficulties experienced in the use of these instruments are sometimes due to likelihood of fraud. To safeguard against such fraud, it is better to have with these instruments a certificate of a duly constituted sale society of the place to prove ownership.

With Government aid on concession rate of interest to the sale societies there is every possibility of establishing licensed warehouses. In this way the farmers would be able to hold up the produce till better prices are available. Government assistance is necessary for preventing fraud and gaining confidence of the farmers.

QUESTION 3.—In this district, land per acre for different kinds of crops is no criterion for valuation. Wheat, linseed, juar and cotton are grown in mutbarra, morand I and morand II soils, of which prices vary according to demand in the locality, situation of land, advantages to it, and facility of its cultivation. Land situated near the village abadi fetches more value than a similar land of a far off corner of the village. Land situated in the vicinity of a town, trading centre, railway station, etc., fetches more value than a similar land in the interior. I therefore take value of land per acre on its soil classification as under:—

Kind of soil.	Dry.	Irrigated or Gaokhari.
	Rs.	Rs.
Morand I	150 to 300	400 to 600
Morand II	100 to 250	300 to 500
Mutbarra	75 to 200	250 to 400
Bardi	40 to 100	150 to 300

The presence of above factors are affecting such value. There is much difference in various kind of sales in fetching price, which mostly depend on the demand of land in the locality, time and need of the sellers and purchasers. The land sold either by Government or in execution of decrees fetches far less price when sale is conducted in court officers, than on spot. The averages of these sales come to as under:—

	In Court office.	On spot.
By Government	20 to 25 per cent	... 50 to 60 per cent.
By Court decree		
By Private negotiation in case of hard pressed needy sellers.	70 to 80 per cent	.. 100 per cent.

QUESTION 4.—Yes. It is on account of different rights in land containing conditioned transferable interest such as absolute-occupancy right, and non-transferable interest such as occupancy right. There is no land mortgage bank or agricultural bank in the district, but one credit Co-operative Central Bank, which is not meant for long-term credit.

MR. MOHANLAL.

The method of raising capital is as under :—

The absolute-occupancy land is mortgaged on low consideration, as in case of sale or foreclosure, the proprietor has the right to purchase it, on getting its price fixed by a revenue officer. It cannot be safely sold without giving due notice of it to the malguzar. After purchasing it himself, he derives the full benefit of its sale. The conditional transferable right is a bar for the agriculturist to get its full price. As for occupancy right land, the cultivator has no right of transferring it. He may either surrender it to the proprietor on nominal consideration or transfer it to any body on payment of heavy nazrana. He, sometimes, does not get even 50 per cent profits sale price. It is in this way that capital on land is raised at great loss to the cultivators.

There are such local institutions, but the rights of conditional transfer and non-transfer of land come in their way. Unless these rights are abolished, or made transferable, there is no hope of improvement in this respect. After this, fixation of the rate of nazrana on rent (i.e., 5 times or so) payable to the proprietor is desirable to prevent them from interfering in the transfers of such rights. The establishment of land mortgage bank would then be necessary for reducing the high rate of interest charged by local institutions and for making the money market easy. All these institutions would then work to the advantage of the landlords and tenants both.

As for measures—

(a) No. As for avoiding possibilities of disputes and court claims by parties other than the clients of the bank, I would suggest that giving due notice to such persons for redeeming their land within a specified time be taken as sufficient.

(b) In their failing to redeem it, within the specified time, it be allowed to be foreclosed and the bank be authorized to attach and sell it outright free of all encumbrances.

(c) The above procedure will greatly reduce all the costs.

The working capital of the proposed land mortgage bank be derived from—

(a) Share capital.

(b) Long-term deposits.

(c) From central institutions on concessioned rate of rates.

(d) Debenture bonds.

Debenture bonds should carry Government guarantee for principal and interest both.

For unnecessary loss the Government should bear some percentage of it, as is done in non-realization of loans under the Agriculturists Loans Act and Land Improvement Loans Act.

Debenture issued by land mortgage banks should be included in the list of trustee securities.

Agricultural mortgage banks should raise monies with Government guarantee as under :—

(a) Long-term deposits on interest 6 to 7 per cent.

(b) Fund from central institutions on 4 to 5 per cent per annum.

(c) Debenture bonds Rs. 7 per cent per annum.

They should lend the same on long-term credits from 8 to 9 per cent per annum so as to cover all their expenses.

No further suggestions to make.

QUESTION 6.—There are the following subsidiary industries allied or supplemental to agriculture in the district :—

(a) Gur-making.

(b) Basket, *latta*, mat-making of bamboos.

(c) Broom and mat-making of date leaves.

(d) Tikhadi grass oil extraction.

(e) Timber and bamboo cutting and carting for sale.

(f) Rope-making.

(g) Weaving.

(h) Harra-crushing.

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All these industries except (h) can be encouraged by forming loan and sale societies linking with banks for securing better prices to the producers.

No. Because he has hardly time for doing any thing else during cultivation season. He may take up spinning if he can find time. These require some credit facilities and there is no such facility. For securing working capital and proper marketing facilities for such enterprises formation of loan sale societies would be the best method.

Such societies be linked with some bank to provide finance.

QUESTION 7.—There is no relation between the co-operative banks and other banks.

Bad start in the beginning, want of education, ignorance of the principles of co-operation in the members forming societies, non-transferable character of land securities available and old debts are the difficulties in the matter of finance in the case of co-operative societies in regard to short and long-terms capital. These are the reasons that this movement has retarded, and the surplus fund of the Central Bank had to be transferred to the Provincial Bank.

No extra capital is required under the present circumstances.

No. There is no joint stock bank.

This does not arise.

To stimulate the growth of the co-operative movement it is desirable to raze from old debts and to grant to genuine co-operative societies financial concession such as fund on concessioned rate of interest, exemption from income-tax, inclusion of debentures issued by Provincial Co-operative Banks in the list of trustee, securities, etc. The business of the co-operative movement in this district is confined in giving financial help to agriculturists only. It has succeeded to some extent in meeting the financial needs of the agriculturists, but their heavy load of old debts placed the obstacle to the evolution of a sound system of agricultural finance. The profession of agriculture being precarious, the cultivators could not make to meet both the ends. This gave a set back to this movement. In order to free them from such enormous load of pre-existing old debts, to safeguard the society funds and to extend this movement in my opinion the enactment of a simple rural Insolvency Act for the rural areas is desirable.

Usurious Loans Act have not been properly used. Its publicity to the people and its greater use in courts is desirable for the benefit of the debtors.

Yes. Enactment of a sort of proposed Money-lenders Bill for Punjab would confer some relief to the debtors, who would be able to know, where they stand.

No. The principal bank issues capital at 7 per cent to the Central Bank. The Central Bank supply finance to the Primary Societies at 10 per cent. All the losses of bad debts and cost of managing staff are borne by the Central Bank. In case of financing I do not think the Provincial Bank will be in a position to finance the primary societies at such low rate of interest in face of taking all risks of bad debts and cost of managing staff. I think the financing of primary societies be done by the Central Bank which is at hand and serves as a medicine. It protects the Provincial Bank from all risks and will spread education.

II.—Indigenous Banking.

QUESTION 1.—Indigenous banks and bankers play an important part in the internal commerce and financing agriculture and small industries of the country. Their transactions are mainly confined to the following:—

- (a) Finance agriculture, trade and small industries.
- (b) Undertake land mortgage business.
- (c) Grant loans for domestic wants, ceremonial expenses, general and special expenses to the people.
- (d) Supply funds for sale, purchase of agricultural and other products of the country during marketing season.
- (e) Finance export and import of the country.

QUESTION 2.—By giving out loans from time to time as need arises, indigenous banks and bankers are taking important part in agriculture, trade and small industries of the country as shown in answer 1 above in form of cash and kind.

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QUESTION 3.—There is no organized indigenous banking system in the district. The existing indigenous banks and bankers have no relation with any of the established banks.

QUESTION 4.—In this district hundis of two kinds (*viz.*, "Darshani", *i.e.*, payment at sight and "Mudati", *i.e.*, payment after a specified period), promissory notes, letter of credit and deposit receipts are mostly used by the bankers, who have no special prescribed forms of these.

QUESTION 5.—When one banker issues loan to another banker on any of the documents mentioned in answer 4 above, he charges interest at the rate prevailing in the market which is from 8 annas to 12 annas per cent per month, as the case may be. On cash deposits they pay interest from 6 annas to 8 annas per cent per month only. These are short-term loans. There is no system of long-term cash credit. The loans given on long-terms, the rate of interest charged varies from 12 annas to Re. 1-8-0 per cent per month. When bankers advance loans to other than bankers, they do so either on bonds, mortgage deeds of valuable or landed property for security of the same on higher rate of interest.

It is their honesty, promptitude and punctuality in fulfilling their promises of repayment, their credit in the market and paying capacity; business capital, landed property, etc., which help the indigenous banks and bankers to obtain funds to meet their demands. There is only a system of cash deposit on short-terms on rate of interest given above.

QUESTION 6.—For rate of interest which the agricultural community has to pay to the indigenous bankers, answer to question 1, part I, may kindly be referred. It is paid in cash or in kind, as the condition is agreed upon.

As the condition is made.

No. But in some cases such transaction takes place.

These rates can be brought down by removing illiteracy, educating the people, forming village societies, establishing land mortgage banks, forming loans and sale societies linking with commercial banks, etc.

Yes. The reduction of such rates would confer great benefit in all directions.

QUESTION 7.—Yes. Because undetectable foul play is apprehended in their dealings.

Yes. By laws.

No. Because law has given them sufficient protection.

No. Had this been the case then there was no cause for suspicion against them.

Their dealings in most cases are fraudulent. To remove these defects the remedy lies in removing illiteracy, educating the people, passing Money-lenders' Act and making full use of the Usurious Loans Act, etc.

QUESTION 8.—Yes. Make the money market easy.

The indigenous banking system can only be improved and consolidated by removing illiteracy and educating the people.

I would recommend that these indigenous banks and bankers may be given the facility of taking out advances from the banks on concession rate of interest on proper security.

The system of accounts keeping is in *khata* and *bahi*, which are open to inspection for verification by the customers, but unfortunately majority of them are illiterate and uneducated.

The introduction of any measures for regulating their operations and for giving publicity to the same would be opposed for some times, but such oppositions would be temporary and not lasting.

QUESTION 9.—Taking all the contingencies into account, I take the minimum net return Rs. 10 per cent per annum. For instance—

Capital.	Advance.	Interest per annum.
Rs.	Rs. Rs. s. p.	Rs.
10,000	1,000 at 1 0 0	120
	3,000 at 1 8 0	510
	6,000 at 2 0 0	1,440
	Total	2,100

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Cost of management—A munim and a servant.

		Rs. 360	Rs. 120	Rs. 480
Loss	...	500	other cost 120	
	Grand total	...	1,100	

Net profit Rs. 1,000.

QUESTION 10.—No. Generally in most cases on account of the unacceptable nature of the security and in some cases owing to insufficiency of their working capital.

QUESTION 11.—By negotiation, the indigenous banking system can be linked with central money market and provincial capitals.

I suggest the establishment of a branch of a joint stock bank or a branch of a Central Reserve bank in each district with which the indigenous banking system may be connected.

Advances with the concessioned rate of interest on convenient terms will inspire the confidence of the indigenous bankers. As for utilizing their local knowledge and experience, training of the staff for some time would be required.

By negotiation competition can be avoided. In case of failing of negotiation, there would be some competition, which would not be lasting but for a short period.

QUESTION 12.—No. It is against business principle to lock up capital which is utilized even for small profit. Had this been the case, then the rate of interest would not have gone so high.

No. Whatever money is flowing to the provincial capital either for long or for short periods, is due to absence of organized banking system and duly established banks with guarantee of safe of credit.

I think that establishment of banks with state guarantee for safe credit will make improvement in the organization of lending and borrowing, and by which these funds instead of flowing to the provincial capital would find remunerative employment in the district for its benefit.

III.—Investment habit and attraction of capital.

QUESTION 1.—The existing banking resources are the share capital, fixed deposits, reserve and other funds.

Additional capital is not required till the money market becomes tight, in which case further capital can be obtained by issuing debentures on other banks to meet the demand.

There are the following means and institutions to encourage savings and investment habits:—

(a) Postal five years cash certificates.

(b) Postal savings bank.

(c) Credit co-operative societies, with savings bank where special high rate of interest up to 9 per cent is allowed to small agriculturists on small deposits, insurance companies, provident fund and other such funds. The credit co-operative societies and banks have been paying path for encouraging habits of saving and investment in the people.

Yes.

Yes. By Postal Department and societies.

The old habit of investing in silver and gold is being shaken off to a great extent by the educated classes where in investment there is facility and safety of their money. Others too are following their examples.

QUESTION 2.—The postal cash certificates are popular, but to encourage further popularity the rules for their deposit, encashment and transfer need some relaxation for facility of the public. For deposits, the limit of the amount be abolished and for encashment and transfer the Postmasters be given full powers. The obtaining of sanction of the Postmaster-General and Accountant General of Posts and Telegraph for bigger amounts causes unnecessary correspondence harassment, trouble and delay to the public, who are mostly uneducated. The present purchase price be reduced from Rs. 77-8-0 to Rs. 75 per cent.

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Yes, as above.

Yes.

Educated people who find no better security and other scope elsewhere for safe investment of their savings resort to this form of investment. Their example is followed by some others too.

I do not think there is much scope in this.

Such competition is usual for attracting more capital. The public looking to the securities, facilities and better profit will go in for investment to the institution profitable to them.

QUESTION 3.—There is no facility for purchase and sale of Government securities in the district, but one through the post office. The small agriculturists and small investors of the country do not go in for any of the Government securities for want of proper education.

There is no agency for facilitating purchase and sale of securities, other than Government securities.

Aboriginals and low caste people given to drinking habits, spend their savings in festivities and drinking. Others of sober habits invest their savings either in improvement of their cultivation festivities, marriages and in silver and gold. They also enter in lending business to their fellow-agriculturists.

In these days the tendency of hoarding money is a talk of past.

The farmers do lend to their fellow-agriculturist on some or other security on high rate of interest with terms agreeable to them. In prosperous year they invest as aforesaid. The capital, whatever is available, is not locked up, but distributed for its growth to indigenous population for some or other securities to meet their expenses and for the benefit of agriculture, local industries and internal trade.

QUESTION 4.—The cheque habit is growing and gaining popularity as it is a convenient form of drawing money from the money at credit. The abolition of stamp duty has given impetus to make it more popular. Cheques are presently used by some Government and Local Funds Departments and some advanced persons having business with banks and modern bankers such as Rai Bahadur Banailal Abirchand. To promote this habit I think payment of Government servants who are adjacent to the bank office or treasury alone and bank employees drawing Rs. 100 or above may be made with cheques, if they so desire. For others it will be risky and troublesome.

I think the use of vernacular script in banking will help the public in better understanding the accounts and its working, etc., and it should be used.

QUESTION 5.—Yes. It is due to illiteracy and want of proper education. I suggest first to remove illiteracy and then to give proper education to the people. Unless these are done, no amount of propaganda work will do any good. Education will teach them to be sober and thrifty. The opening of new branches by the Imperial Bank of India has made money market in some places easy and has given impetus to the internal trade of the country.

Oral Evidence.

Nagpur, the 15th February 1930.

Chairman: How long have you been serving in Betul?—I have been serving as Extra-Assistant Commissioner for the last two and half years.

In reply to a question put by the Chairman the witness said: Although in Government taccavi penal interest can be recovered in case of defaults in payments, but in actual practice it is hardly ever levied. I know of only one instance in the whole of my service.

Professor A. C. Sen Gupta: Are you in favour of granting right of transfer to occupancy tenants?—Yes, I am.

Rao Bahadur M. G. Deshpande: Suppose if an occupancy tenant is given right of transfer do you not think that the land will go in the hands of the sowkar if they borrow more and more?—Perhaps. But unless the right is given there will be no improvement in the credit.

MR. MOHANLAL,

Suppose if the occupancy tenants are given right of leasing out their land for more than five or six years do you not think that they will have sufficient credit?—They will have some credit but not sufficient.

Are you aware that at present occupancy tenants continue since last three generations cultivating their lands?—Yes.

May I know the reason why and how they continue and why lands had not gone into the hands of sowkars?—Because of the legal difficulties.

Still in spite of that you suggest and recommend that they should be given right of transfer?—Yes.

Seth Narsinghdas Daga: On page 13 you have stated that the sowkar has to engage a *munim* on Rs. 360 per year, i.e., Rs. 30 per mensem. Is it not difficult to get a motor driver on Rs. 30 per mensem?—A *munim* can be had on Rs. 30 per mensem, but not a motor driver.

What is the reason?—Demand and supply. The demand is less and supply is more.

Whether this is general or in particular cases that educated men are available on less pay than uneducated men?—There is no demand for educated people.

If rural people are educated, their value also will decrease. Is it not?—Yes. If the demand is less.

You have given the pay of a servant to be Rs. 10 per mensem, i.e., Rs. 120 per year. Can you say whether we can get a servant on Rs. 10 per month?—Yes, in the interior places.

Chairman: I noticed from the extensive enquiry into the indebtedness of the district that indebtedness per acre is heavier in the Multai Revenue Inspector's circle than in any other parts of the district. After that comes Mosad and Bordehi. Can you tell me why this is so?—Multai tahsil is the richest in the district and these three Revenue Inspectors' circles are situated in that tahsil.

Are these persons more heavily indebted, having regard to their *haisiyat* in the Multai tahsil?—People in this tahsil have more facilities and they can obtain money more easily.

What are the principal crops in the tract?—Wheat, cotton and sugarcane are the principle crops in that tract.

Where is the Ranipur Revenue Inspector's circle? It is the least indebted?—In Betul tahsil.

Is that a light inferior tract?—Yes.

I find that the total indebtedness of the Betul district works out at:—Malguzars Rs. 8,82,193 which is the average of the total land revenue. Out of 1,342 malguzars 960 are free from debt, and only 444, i.e., 33 per cent, are indebted. Do you think that the malguzars who are indebted are very heavily indebted?—Some of them.

What is the percentage of malguzars who you think are very heavily indebted out of the indebted ones?—I think less than one per cent are heavily indebted.

The average debt of occupancy tenants works out at Rs. 3 per acre. Out of 38,468 occupancy tenants, only 13,164 are indebted and 25,294 are free from debt. What percentage of the occupancy tenants are heavily indebted?—I think not more than 2 or 3 per cent.

You stated in your reply to the questionnaire that the average value of the land comes to about Rs. 40 to Rs. 300, excluding irrigated land. What do you think is the average value of the occupancy land? Do these figures refer to the whole of the district or only to Multai?—They refer only to the Multai tahsil.

What do you think to be average value of the land in the district as a whole?—I think the average value of the occupancy land in the Betul district to be Rs. 75 per acre.

Therefore I understand you to say that the total debt upon the occupancy tenants which works out at Rs. 3 per acre is actually only 4 per cent of the value of the land. Is that correct?—Yes.

MR. MOHANLAL.

In the Betul district the figures for the individual indebtedness of the tenants were collected for every village in the district. Are you quite satisfied that the figures are correct?—Yes. Approximately correct.

In how many villages did you yourself checked the inquiry?—In more than 50 villages.

In how many villages did the Tahsildar checked the figures?—In not less than 50, and the Naib-Tahsildar also checked the figures of 40 or 50 villages.

How many villages are there in the Multai tahsil?—Four hundred villages.

Therefore the figures more than one-third of the villages were checked by an officer. Is it not?—Yes.

Do you know how many mistakes were found in the figures checked?—In the beginning some mistakes were found, but later on instructions were issued and we got correct figures.

On the whole, the Betul district appears to be less heavily indebted than many other districts in the province. Can you give any reason for this?—The crops have been good.

Since how many years have you not had bad crops?—Since 1921, *i.e.*, for nine years the crops have been good and there was no bad year. Only the last year the crop was bad owing to frost in some 50 villages, but in the villages which escaped from frost the outturn was very good.

MR. R. D. BEOHAR, Extra-Assistant Commissioner, Betul.

Reply to the Questionnaire.

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

QUESTION 1.—(a) *Finance for expenses during cultivation.*—I understand it to mean that it includes not only the working capital for cultivation, but also the feeding, clothing and other expenses incurred by the cultivator during the time the crops are in the field.

In majority of cases the cultivators supply their own working capital while a few have to depend for it on the borrowed capital. By way of illustration I may state that I found in one village having an occupied area of 1,238.97 acres, the holders of 842.26 acres were working with their own capital, while holders of 396.71 acres carrying on their operations with the help of the others.

The usual sources of borrowing for this purpose are—

(i) The village landlord (malguzar) if he be a resident he generally advances grain for seed, for food and other expenses.

The usual rate of interest for seed is *sawai* (25 per cent) for rabi crops and *dedhi* (50 per cent) for kharif, grains, for the period of six months. The grain advanced for food is at times given at 100 per cent for six months.

The interest on seed in case of rabi crops are in case of new client *dedhi* and in case of kharif grains *duni* (100 per cent). These advances are generally given on personal security, but the recovery is made when the grain is ready at the threshing floor. At times, the standing crop is the security, but such cases are not many. As a last resort he pledges his wife's ornaments. The rate of interest in case of money varies from 24 per cent to 108 per cent per annum. They carry condition of compound interest in case of default.

QUESTION 2.—The loans advanced by the Government under the Agriculturists' Loans Act are popularly known as taccavi loans. They carry rate of interest at 6½ per cent and are generally for seed purchase of bullocks, improved implement by Agricultural Department, etc., but the amount advanced under this Act in ordinary season is restricted and it hardly meets the needs of the cultivators. Besides, it provides for the loan being given only for the purposes named therein. The Government does not charge penal interest though provided in the rules.

QUESTION 3.—*Co-operative societies.*—They advance loans to their members on their personal security. The bank advances loans to the society at 9 to 10 per cent and the latter advances loans to their members up to 12 per cent. The operations of these societies are also very limited. The total loan advanced in 1928-29 by the Central Bank to the societies was Rs. 22,768, while the total amount of debt outstanding stood at Rs. 3,73,019 on 30th June 1929. In addition to cultivation, they give loans for other purposes also.

QUESTION 4.—*Fellow-cultivators.*—They give loan on personal security, or by pawning ornaments or other valuables. As the needs of the cultivators are not many for cultivation, they are also financed by their fellow-cultivators. The rates of interest are from 1 pice to 2 pice per rupee per month (Rs. 18-12-0 per cent to Rs. 37-8-0 per cent).

QUESTION 5.—*Batai or adheliya system.*—The bataidar supplies a part of the capital and labour. The adheliya generally supplies labour and also works as a general labourer.

(b) *For capital and permanent improvements.*—In this district there is no regular system of permanent improvement. The only improvement which have come to my notice are the putting up of stone embankments around the field, in order to prevent the soil being washed away. The cost of such embankments is not much. It varies from Rs. 10 to Rs. 25 per acre. Such embankments are not needed for every field, they are determined with reference to the lie and the position of the field. Another kind of improvement is the bringing under cultivation fallow land, or getting the kans or kunda weeds removed which generally infest the fields. The cost of removing them is also a variable factor. In some places kunda is removed at 9' x 9' deep enough to uproot the weed for 4 annas, worked at this rate it comes to about Rs. 125 per acre.

MR. R. D. BEOHAR.

Well-to-do cultivators generally put up such embankments with the help of their own men. Petty tenants also do it by their own labour. They pick the stones and then carry them in their own carts. The permanent labourers and bullock carts having otherwise no work are kept engaged. Smaller tenants who need money borrow it from the village money-lender on executing a simple money bond at 24 per cent rate of interest with condition of enhanced rate of interest and compound interest in case of default. They also receive a part of the loan from the Government under the Land Improvement Loans Act, for which the rate of interest charged is 6½ per cent. The co-operative society also advances loans for these purposes and the interest charged is 12 per cent. I am inclined to think that about 75 per cent people do not need any external capital for embankments and such petty purposes.

The case of digging out kunda weeds is a little different. Most of the people borrow capital for it, but I think the procedure is to attack a para of the field in one year, another para in the second year and so on, and in about five years' time an area of, say, 4 acres infested with kunda is cleared. A village of about 1,200 acres of occupied area will not, with the present method of cultivation, need more than about Rs. 7,000. For this also they have to borrow money either from the money-lenders, Government or co-operative bank.

There is another source of capital expenditure which the agriculturist generally incurs without any profit, it is the purchase of land. In the case of people having their own money the purchase of land is not unjustifiable, but some people purchase land partly from their own capital and partly on borrowed money. The result is that after a time they lose their capital and land as the rate of interest at which they get credit is generally 18 to 24 per cent per annum. Several malguzars sell their *khudkashi* land in this way which they again get back from the tenants after four or five years, as there is generally a condition of enhanced rate of interest and compound interest in case of default. In some parts there is a custom of digging wells for irrigation. This too has not proved paying and does not seem to be on much increase. The total irrigated area is only 2 per cent of the occupied area in the district.

For instance in 1865, the village Kheri had 19 wells under irrigation. In 1895 the number of wells rose to 24 and in 1917 their number was 35. There is no reason to believe that what is true of Kheri is not true of the tahsil also. Those people who borrow money have to pay the interest as stated above. The land is the ultimate security in all cases.

(c) For special needs.—(i) Failure of monsoon.—The liberal manner in which the Government comes to the rescue of hundreds and thousands of peasants at such a time by advancing loans, remitting or suspending land revenue is a matter of common knowledge and thankfulness. Even then the state has got its own fixed charges to meet and it is beyond the power of the richest Government to relieve all financial need of the country. The people have therefore to resort to money-lenders, be he a landlord or an outsider. The occupancy tenant get credit mainly from landlords, on the ultimate security of their land, but absolute-occupancy and malik-makbuza holders take loans from others also.

The rate of interest varies enormously. The smaller cultivator is charged even 100 per cent interest—financial needs of agricultural industries. The Imperial Bank, so far Betul is concerned, has no part to perform, but in cotton districts it advances loan to the traders who at times make advance purchases from the cultivators.

Co-operative banks.—They play an important part in the agricultural economy of the country by supplying short-term capital and thus facilitating agricultural operations of the country. But their number is insignificant and naturally their scope of work is limited.

Indigenous banks and money-lenders, etc.—They are the principal source of credit of the agriculturists. The latter need money for a marriage, law suit, for seed or to support themselves during the time the crops are in the field or have failed, the money-lender then gives them credit. Be he a malguzar, money-lender, a petty shop-keeper or an indigenous banker, or a Punjabi or a Kabuli, he looks more to his pecuniary gains than to the interest of his clients and seldom fails to take advantage of his indigence or law. In my opinion their greatest drawback is the high rate of interest and the manipulation of accounts. Marwaris (Jains and others), Kalals, Banias and Telis are generally people who deal in money-lending.

It is not possible, to give any estimate for the district, the amount needed by the agriculturist as circulating and fixed capital and also to meet expenditure on social ceremonies and other occasions. On improvement alone vast sums will be needed as the area under fallow alone stands as below:—

	Acres
New fallow	1,27,752
Old fallow	2,81,528
Total	4,09,280

But I think at a modest computation the figure would come to about Rs. 8 lakhs every year.

The extent of the grain needed by the agriculturist is also difficult to arrive. I believe only tenants holding one-fourth of the occupied area need such advances.

The total occupied area of this district is:—

	Acres.
Under wheat	1,85,312
Under kodon and kutki	1,49,038

Thus total wheat seed needed would come to about 46,328 manis, of this about 8,000 to 10,000 manis is borrowed as seed, this alone will value at Rs. 2,40,000 to Rs. 3,00,000. For rabi grains in the case of a new client in the first year the rate charged is *dedhi* and in the subsequent years *sawai* for six months. For kharif crops the rate charged varies from *duna* to *dedhi*. The interest thus works out from 50 to 100 per cent per annum in the case of rabi crops and 100 to 200 per cent in the case of kharif crops. Allowing for the difference in prices at the time seed is advanced and when it is recovered the interest charged remains sufficiently high. Another defect is that generally bad and adulterated seed is advanced this affects the cultivator's outturn. These defects exist because the poor cultivators have to depend upon the lenders and also because the landlord who is generally the creditor in such cases can dictate his terms. Thirdly, the cultivators have no money to purchase, and if he would have some, he is cheated in the bazar or he finds the season so suddenly upon him that he has no time to go to the bazar. Lastly, he has to keep accounts with the lender for emergency.

The defects can be remedied only if the borrowers could be organized in societies and every year keep some grain apart which they should take on equitable terms and then pay back the principal with interest.

Another bad effect of this system of grain advance is that the agriculturist does not get full advantage of the prices. It has been noticed that prices are very high in winter and rather low at harvest. He has therefore to part with his grain at a time when it has a low value. He has then very little left and has again to work on borrowed capital on interest. This works in a vicious circle.

This can be removed only by inducing the farmers to join into societies and then keep their crops till they have got value for it.

At present there is no co-ordination between the different financing agencies. I would, however, suggest that in future Government should place all sums under the Agriculturists' Loans Act and Land Improvement Loans Act at the disposal of the co-operative societies for distribution.

QUESTION 2.—Every cultivator of the soil even with a small holding has a surplus of something that is required to be converted into cash. He cannot supply all his requirements from the produce of his soil. What he therefore does is to sell different kinds of grains in weekly markets or to a village shop-keeper in small quantities. He is thus a loser. Much improvement can be effected by the introduction of co-operative societies for collecting small surpluses of the members and selling them at good price.

The bigger cultivators who have large quantities to sell either sell the same in the central places like Betul, Shahpur or Ellichpur or sell it to the itinerant or village dealers in grain who purchase the produce and cart it to the market place. If he is in debt to the dealer, he takes a part of the produce

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at a lower price. Even if he is not in debt the dealer generally pays him about Rs. 2 to Rs. 3 per mani (24 kudosa=1 mani) below the rate prevailing in the market town, the grain dealer or the cultivator takes the grain to a Adat shop where he is put to the following charges:—

A cart carries 2 manis grain.		Rs. a. p.
Cost of grain	...	60 0 0
Adat (brokerage) at annas 12 per 100	...	0 7 0
Loss in weight owing to manipulation by weighmen, 2 kudosa.	...	2 8 0
Muthi (handful of grain taken by several people) 3 Pais (1 Pai=90 tolas).	...	0 7 6
Cost of cleaning and winnowing, etc.	...	0 10 3
Weighman's fee } 7 pice per mani	...	0 3 6
Dharmadaya .. }	...	
Total		4 4 3

i.e., about Rs. 2-2-0 per mani over and above this he at times suffers in rates also as the Adatyas generally collide with the purchasers. There is no open bidding. The purchasers give their rates to the adatyas who does not disclose them, but keeps them to himself. He keeps his hand covered with a piece of cloth and the bidding is by pressing his thumb and fingers and finally he declares the sale at a certain rate. Thus A, B and C want to purchase certain grains, they give their rates at Rs. 30-4-0, Rs. 29-14-0 and Rs. 29-12-0. The adatyas, if he conspires with A, declares the sales at Rs. 30. This system is called "Haththa" system and in practice works to the detriment of the seller.

The sellers get the price of produce at the latest by the evening of the day on which crops are sold.

In view of the fact that the agriculturist suffers owing to his being required to sell at a time when the price of the crops are low and also owing to the malpractices of the grain dealers and the adatyas, there is a great possibility of their forming into pools, not only in case of small agriculturists, but also of bigger people. They can be organized into a co-operative society for store and marketing produce.

The actual credit facilities existing during marketing are—

The Bombay merchants or purchasers from other places either send the amount of money for which purchases have to be made by insured post in Government currency notes or send in hundis to the commission agent, who either keeps the hundi for himself or sells it to the Kachchis who have to make remittances. The rate of hundi is variable, it being 4 annas to 12 annas per Rs. 100 below par, 2 annas to 4 annas above par, if the demands for them is very keen. The commission agent thus gets funds from the outside sellers. The latter advances these sums in small loans to grain dealers, who either purchase by cash payment grains in villages or pay them in advance to the agriculturist if his crops are standing, with a stipulation that crops when ready should be sold to him. In such cases, the rates are settled in advance and dealer is very often a gainer, unless unexpected events lower the price to an unduly great extent. No rate of interest is charged from the dealer if the sum is kept for one month or so, otherwise an interest at 12 per cent is charged if it is kept above that period. In return the dealer sells his grain through the commission agent, apparently the brokerage is only profit to him.

The small bankers also lend money to the grain dealers for purchasing grains for the market.

The cultivator or the grain dealer when he has brought the grain at the market place he has generally no choice, but to sell it. He must pay the money he has taken. This is the greatest defect of the system.

At times he stores his grain at the commission agents' shop for which the latter makes no charges, but his servants commit theft and he is not a gainer by such waiting. Besides, such waiting is not permitted for a long period. The merchants from Bombay and Calcutta who purchase in large quantities at times owing to the change in rate have also to keep their bags with the commission agent, who generally charges rent from them.

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The small producer or dealer does get some credit for the produce he leaves and so also the Bombay merchants, but still they have to sell and cannot wait for indefinite period. They should get full credit for their produce then alone the facilities can be said to be complete.

Thus the indigenous banks or money-lenders play an important part in the financial system of the country. He finances the agriculturist, the petty artisan, the small trader, and helps in the movement of the crops to places where it is needed for consumption and to ports whence it is exported and distributes all kinds of goods in the interior of the country. He also issues demand hundis to the traders or discounts their hundis and thus makes it possible for them to send money to trading centres.

Facilities for internal remittance.—In connection with the movement of crops, the funds needed in different parts of the country are provided as below:—

(1) *Transfer of specie by rail or road.*—It has sometimes been seen that a considerable amount of rupees is sent by rail or road for purchasing the crops from the cultivators who insist on payment in silver coin. Coin has also to be moved by Government and also by banks. Last year the demand for Betul wheat was great, it was then seen several merchants bringing silver from Hoshangabad and Itarsi. Treasury had also to get some silver from outside.

(2) *Through Government treasuries, by means of supply bills and currency transfers.*—A small commission is charged for these transfers. The big merchants, specially when hundis are not in abundance, take advantage of these facilities for transport of funds. Government have, however, made a stipulation not to issue currency transfers and supply bills to the public between any two places where a branch of the Imperial Bank is situated. The total amount of supply bills and currency transfers comes to about Rs. 20 lakhs.

(3) *Transfers through the Imperial Bank.*—It is its duty to supply public every facility for the transfer of money between its different branches at reasonable rates. Joint stock banks also at times undertake to remit money by drawing on other banks.

(4) *Hundis or cheques.*—In bigger cities and commercial centres the use of cheques is increasing. The operations of shroff and their hundi business is also considerable. Hundi is both a devise to get advance and a convenient form of remittance of money from one place to another. The hundis as a rule are not accepted by the joint stock or other banks, unless they bear the endorsing shroff's endorsement as they do not show that they are drawn against commercial goods. The total amount of hundi emanating and discounted at Betul must have been worth about Rs. 30 to Rs. 40 lakhs in the year.

(5) *Postal remittance.*—There are remittances of money order in case of small amounts and in case of bigger amounts by notes. Last year, at Betul, considerable amounts of notes were received and sent for trade purposes. I put this figure roughly at about Rs. 20 lakhs.

The main defect of the system is that actual silver coin is moved from place to place owing to the absence of the cheque system and due to the want of organized banking.

The part played by the negotiable instrument in the internal trade of the country is not much.

The duty on bills may be reduced. It may help to its greater use.

The hundis are generally of two kinds, viz., "Darshani" (at sight) and "Mudali" (usance bill or payment after the stipulated period). But at Betul generally the "Darshani" hundi (demand bills) are the only ones in use, the "Mudali" hundis (deferred bills) are very rarely issued or received.

The hundis emanating from this locality are discounted here as well as outside this locality. They are very often held by the middleman, merchants and commission agents.

Different kinds of instruments of ownership of goods and produce are sometimes used for raising money, by sending railway invoice to the person in whose favour hundi has been drawn.

QUESTION 3.—The value of the land in this district per acre for different crops of land varies greatly according to the situation of the land with respect

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to the village, its proximity or otherwise to the market town, or railway station. The kind of right in which land has been held is also a determining factor in its price. Thus in my enquiry, making allowance for difference in quality of land, I think the value of occupancy land received is 30 per cent less than the same quality of absolute-occupancy land. If the malguzar is the purchaser, then the occupancy tenant hardly gets more than half its market value. In the case of another purchaser, the tenant suffers, as the purchaser pays only the balance of price after deducting the amount of nazrana to be paid to the malguzar.

Bearing in mind the above qualifications, the following is the usual rate or price per acre for different kinds of crops:—

Dry.	Irrigated.
Wheat crops Rs. 50 to Rs. 350	} Rs. 100 to Rs. 400.
Juar crops Rs. 25 to Rs. 150	
Cotton crops Rs. 20 to Rs. 150	
Minor crops do. ...	
	In Court. At spot.
	Per cent. Per cent.
(a) In case of auction by Government for non-payment of revenue.	50 60
(b) In case of value of land by sale in Civil Court	60 80
(c) By private negotiation (if the seller has full transferable right.)	100 (if no pressing need else less.)

In one case I found that 18.46 acres of occupancy land, rent Rs. 36 was in execution of decree of arrears of rent for Rs. 133 ejected from his holdings, while the land was worth about Rs. 900.

In the case of private negotiation also if the seller is in need of money, he more often than not fails to get full price.

QUESTION 4.—In the Central Provinces excepting the malik-makbuza plot-holders the cultivators have a legal impediment imposed to the mortgage of their tenancy land.

(i) An absolute-occupancy tenant has only a limited power of transfer and mortgage. The proprietor has a right of pre-emption under certain circumstances.

(ii) The occupancy tenant holds the largest area in Central Provinces. He labours under a great handicap owing to the restriction imposed on his right of transfer or mortgage. That an occupancy tenant can be declared insolvent legally has greatly reduced his credit.

(iii) Sub-tenants, village service tenants, muafidars (if their terms so provide) cannot mortgage their land. But the area held by them is inconsiderable.

(iv) The sir land area held by the proprietors is not inconsiderable. It can be mortgaged over five years only, with Deputy Commissioner's sanction.

(v) The Central Provinces Land Alienation Act prohibits certain kinds of mortgages not enumerated in section 6 of the Act, by a member of the aboriginal tribe to the member of the tribe other than his.

The different kinds of land in the district is given in the following table:—

Malik-makbuza, absolute-occupancy, occupancy, sir, *khudkash* and others.

To my knowledge there is no land mortgage bank in existence in this province.

In recent times the question of the establishment of land mortgage-banks has been discussed and again as the co-operative societies advance loan only on personal security and for short terms, which means the existing indebtedness must remain as it is. The only way therefore to remove it is to provide for an agency for supplying long-term credit and this can be met by establishing land mortgage banks.

The bank to be useful and efficient should operate in a limited area preferably in a revenue district. It should advance loans to the solvent cultivators or land owners on the first mortgage of their land at comparatively easier terms and on equitable conditions. The loans should not ordinarily exceed

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50 per cent of the value of the property held by the borrower, but in special circumstances the loan may be allowed up to 60 per cent. But in any case the valuation should be very cautiously and properly made. I would propose that a revaluation should be made after three years, to see if the value of the land has not gone down. This is likely to take place if the original valuation has been made in a boom period, when the property has an inflated value. The rate of interest charged should be 9 to 10 per cent per annum. The minimum loans to be given should be Rs. 500 and in case an amount greater than Rs. 10,000 should be advanced to one individual. For amounts below Rs. 500 co-operative societies should advance loans.

Loans should generally be given for the following purposes:—

- (1) Repayment of old debts.
- (2) Redeeming the land.
- (3) Permanent improvements of land and method of cultivation.

Funds of the bank should mainly be derived from the following sources:—

- (1) Debentures (carrying interest not exceeding 7 per cent for 20 to 25 years).
- (2) Deposits (from members and non-members not exceeding at 7 per cent per annum. This should be for periods of less than three years).
- (3) Share capital (open to borrowers and non-borrowers alike). This should carry at least 6 per cent dividend.

The major portion of the capital should be from the debentures. They should be floated by some central agency, operating over a number of such banks. This will avoid competition among the issues of different banks and will have greater confidence.

As the debentures will be a novel introduction, it is desirable that they should have Government support in the initial stage. The Government need not purchase any debentures, but it should guarantee 6 per cent interest. I do not anticipate that Government will be required to pay any interest.

To safeguard against unnecessary loss Government will have a nominee of its own to work the Board of Directors.

The debentures should be included in the trustees securities. This will enable their inclusion for investment by public and other trusts.

The liability of the members of the bank shall be limited.

The loan should be repayable between 25 to 30 years.

QUESTION 5.—There are two ways of estimating an agricultural indebtedness of the district—

(1) By making an enquiry from village to village. But my experience dictates that the pitfalls in the way of enquirer are many and more often than not people are apt to give false information, as far as it has been seen that they try to exaggerate it. A careful worker is, however, likely to get an approximately correct figure. In this district we have made house-to-house enquiry and the results obtained have been tabulated under various heads.

(2) Another method which has been followed by writers of notes is an inductive one. The figures of mortgages have been taken. But this method is an imperial one and at best can only give a rough idea of the indebtedness. I have tried to calculate the indebtedness of the district by this means also:—

	Total for	Number of documents.	Value
			Rs.
1923—25	...	1,307	6,25,287
1926	...	515	2,98,954
1927	...	618	2,68,960
1928	...	501	2,52,773
	Total for 6 years	...	1,445,97
	<i>i. e.,</i>	...	2,40,995 (approximately for one year).

The duration of mortgage is between one year to six years. I put the average period at four years to six years. Then the agricultural debt under the mortgages may be put at 90 to 95 per cent. Thus the agricultural mortgage debt would come to about Rs. 2,28,000. The total agricultural debt represented by the mortgages would come to Rs. 13,68,000. Several economists and administrators put the unsecured and simple debt equal to the debt covered by the mortgages, but my experience of this district shows that the mortgage debt represents only one-third of the total debt. Thus according to this the total debt of the district should come to Rs. 4,10,400.

The total rental demand of the district is Rs. 5,41,377 and the total occupied area is 1,178,063 acres of this actually cultivated area is 768,783 acres. Thus the indebtedness per acre of cultivated area would come to about Rs. 5-12-0 per acre of the cultivated area and Rs. 3-12-0 per acre of occupied area and about 8 times the rental demand.

By actual calculation the total indebtedness arrived at has been—

Chief sources of agriculturist's credit are—

- (i) Village money-lenders.
- (ii) Government loans.
- (iii) Loans by co-operative societies.
- (iv) Others.

The total indebtedness of the district is estimated to be at Rs. 41,00,000; of this amount, Government loans amount to Rs. 32,006 (Agriculturists' Loans Act Rs. 25,034-4-0 and Land Improvement Loans Act Rs. 6,972-12-11) and the co-operative societies loans stand at Rs. 3,73,019-1-2.

From these figures it is plain that the part played by the money-lender, be he a banker or an ordinary money-lender, is a very important one. The money owed to him consists of about nine-tenth of the total indebtedness.

(i) The most potent cause of borrowing is the extravagance indulged in at the time of marriage, rejoicings, etc.

(ii) Another cause is the litigious habits of the people. Even petty disputes which can be easily settled by village elders are brought to the courts. The institution of village panchayat is making a headway and it is possible that in course of time much of the petty litigation may cease.

(iii) *Social institution*.—Laws of inheritance and the joint family system. Both are bad economically.

(iv) Droughts and fluctuations in season, fire, frost, floods, etc. In a bad year more than one-third of the debt represents the debt incurred on that account. To meet this diversity of occupation is the only remedy. This can at the same time help the agriculturist to save something during normal times.

(v) *Luxuries*.—This is only in case of big landlords. Certain persons who are ordinary proprietors or in debt have purchased motor cars on borrowed money.

(vi) *Working capital*.—The needs of agriculturists for carrying on agricultural operations are not many and these alone cannot lead him to heavy indebtedness.

(vii) *Purchase of land on credit*.—This is in vogue to a certain extent. The malguzar generally gives his *khudkasht* land on tenancy right after getting a part of the premium. For the balance credit is given at a certain rate of interest after a while the principal and the interest becomes so large that he is forced to part with land.

(viii) *Improved methods of agriculture, seed or implements*.—The agriculturist to a certain extent borrows seed, but he generally does not prefer to buy improved implements or manure.

(ix) *Sinking of wells or improvements*.—At times he borrows money for these purposes.

(x) *Repayment of old debts*.—Generally the bond is renewed, in rare cases he succeeds to get another creditor and pays off the former money-lender.

(xi) *Drinking and other vices*.—In 1926 the total income from liquor shops in this district amounted to about Rs. 3½ lakhs.

In one village I found the debts as below—

	Per cent.
Social customs	35
Litigation	9½
Repayment of old debt	29
Total	73½
Productive cultivation (including improvements and working capital)	26½
Total	26½
Grand total	100

In another village the debts stood as below:—

The different classes of debt for the whole district stood as under:—

The rate of interest charged varies according to the credit of the debtor and the security he can offer. It varies from 6 per cent to 100 per cent.

The rates of interest charging at 1 anna and 1 anna 6 pies per rupee per month are not uncommon.

The method of calculating interest is to strike accounts at the time of Divali and add the interest to the principal in case the former remains unpaid. The next year generally the interest is charged on the amount made up of principal and the interest and generally penal rate of interest is also charged. The borrower, if he is illiterate, remains ignorant of the accounts, but he knows only what amount he paid last time. The money-lender in such a case manipulates the accounts to his advantage.

Sometimes the amount of debt swells considerably owing to the high rate of interest and the compound interest charged on it. Thus one landlord at Betul had a debt of Rs. 22,000 in 1917, but now mainly due to interest and compound interest is indebted to the extent of Rs. 1,10,000 at the most new loans taken by him after 1917 cannot exceed Rs. 20,000. I do not think any number of efficient farmers are becoming landless serfs. Those who are ousted are bad cultivators. I found that only in rare cases the old cultivators have lost their land. But there is no doubt that many of the landlords have been ousted. In 1906 the Banias had 170 villages, while in 1928 they had 220 villages. One money-lender's firm in Betul had 50 villages in 1906, now it has 90 and several others are in the process coming to it. The tenants have also been ousted, but to a minor extent as the process of ejection and granting of fresh lease on payment of premium in cash or on credit have been in operation simultaneously.

The main defect of this system is the absentee landlordism who have no interest in the land except to make the utmost profits from it. This also leads to the increased practice of subletting which in turn leads to rack-renting and impoverishment of the land.

QUESTION 6.—In this district the following are the allied industries to the agriculture:—

(1) *Gur-making*.—But this is on the decrease, owing to the high cost of gur-manufacture and the competition of outside gur at a cheaper price. Thus in 1892-93 the total area sown under sugarcane was 10,000 acres, in 1926-27 it fell down to 2,919 acres.

(2) *Hand-spinning*.—This is done very rarely.

(3) *Basket-making*.—It is mainly done by Mangs (*tatts* and *chattis*) and Basors, etc. In the interior Gonds and Korkus also make their *tatts* for use.

(4) *Weaving*.—This is done by Mehars and Katias. They weave coarse cloths, but on account of imported cheap cotton cloth, they cannot withstand competition. Their total number in 1921 was 5,200. At Betul Bazar, Atnair and Jamthi a lot of *nivars* are also woven for sale, but the total produce is insignificant and is unable to meet the local demand. At Betul Bazar *Rajais* and *jajams* are also dyed, but the dyers too are not in a prosperous condition.

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(5) *Conservation and sale of fuel and timber.*—Betul district has 416,318 acres of malguzari forest, if properly conserved and worked; it can provide them good money.

(6) *Extraction of oil from Rusa grass.*—This grass is found in abundance, but the work done is so united and unsystematic that the profits are greatly minimised.

(7) *Garden produce.*—About 20,616 acres of land is irrigated. Of this, about 3,000 acres is under sugarcane, some under wheat. The area under garden produce cannot exceed more than 10,000 acres. This is ill arranged. With proper management and facilities for marketing the produce can be much increased and the cultivator can get maximum profits from his produce.

(8) *Dairy farming.*—There is no organized dairy farming in existence at present, but a number of Gaolis (milkmen) living in bigger villages and towns live entirely by the sale of milk, but they do not make any combined efforts. In 1927-28 the total number of cows and she-buffaloes stood at 100,630 and 23,124 heads, respectively. The greatest drawback of the cows and buffaloes of this place is that they have not good milking quality, besides their breed have also not good draught quality. The problem is, therefore, to increase the milking quality and to produce good animals for draught.

The most important and suitable industry is the dairy-farming and cattle-breeding. This will keep the farmer busy when he will be free from agricultural work. The other industry is the sale of wood and timber. In this district total area under forest is about 1,175,245 acres, of this at least about 55,000 acres is available for cutting every year. If the petty farmers who have spare time could be induced and formed into societies for cutting and selling wood at Ellichpur, Akot, Khandwa, Harda and other places, the scope for making profit is very great. At present only individual efforts are made by taking licenses from the malguzars and the average net profit is about Re. 1 to Re. 1-8-0 per day. This, however, lasts only during the open season. In my opinion there is a great possibility of the development of this trade. Picking of *bidi* leaves and sale of mohwa, achar and gulli is another source in which people can be profitably and properly organized. Honey collection is another spare-time industry which is full of promise. Lastly, female folks and certain people can do hand-spinning at home, but this is not a paying proposition in view of the large quantity of cheap mill yarn being sold in the market.

The most promising solution is afforded by the co-operative credit. Thus the principle of co-operation is of very fruitful application in improving the lot of the artisan by providing loans at a moderate rate of interest or helping him in the purchase of raw materials or tools and in the sale of finished goods. The Government can give help by extending its patronage and by opening Industrial and handicraft schools where some of these people can be taught.

QUESTION 7.—At present especially in a place like Betul where there are no joint stocks or a branch of the Imperial Bank of India there does not appear to exist any relation between the co-operative and other banks. But there is a point of contact with the Imperial Bank as by arrangement the Provincial Co-operative Bank has a cash credit account with it. The Co-operative Central Bank has no relation with indigenous banks, but a contact could be established if it could advance money on cash credit accounts and by discounting their hundis and bills and so on. This means a little change in the byelaws. I do not anticipate any difficulty in this.

The existing difficulties in the matter of short-term and long-term credit by the co-operative societies are as below.

The number of such societies is very insignificant in comparison to the magnitude of the work to be done. Thus in a district having about 1,300 villages only 207 societies exist, i.e., for every 16 villages there is only one society or there is a society for every 15 miles. This is not a very hopeful picture. Then in case of short-term loans the members are rightly not given according to their needs, but according to his credit limit based on their paying capacity. The greatest drawback is that the members do not get loans at a time when they need it. Much time is lost in correspondence and lastly, the members owing the hilly nature of the tract, feel reluctant to go to the Central Bank office to take loans during the rains. The result is that the members during those times have to borrow from the village money-lenders at a high rate of

interest. This can be avoided by simplifying the process of granting loans or appointing extra staff as a temporary measure for one or two months. In the alternative good societies may be permitted to keep a cash balance up to Rs. 100 with them and to advance money out of it. The interest on such balance during the time it is lying idle should be paid out of societies reserve. This system is open to objection, as it will encourage unnecessary borrowing, the amount may be misappropriated and it may have to lie idle.

With respects to long-term credit the societies do not as a rule grant such loans. The result is obvious that they fail to remedy the real evil of existing and long standing indebtedness and unless the load of debt is removed from the neck of the cultivator and they are enabled to carry on their operations freely and profitably their condition will remain anything but satisfactory. The co-operative societies naturally and rightly too are reluctant to lock their capital in long-term loans.

As an alternative it has been suggested that land mortgage banks should be established to supply this kind of loan. No extra amount of capital is needed in this district by the co-operative banks in fact a part of their balances is lying idle.

In 1928-29 the bank advanced only Rs. 22,768-3-9 for the purposes shown below:—

Purpose.	Amount.		
	Rs.	a.	p.
(1) Seed	328	0	0
(2) Cultivating expenses	987	0	0
(3) Bullocks	6,471	0	0
(4) Agricultural implements	45	0	0
(5) Purchase of land	1,110	0	0
(6) Improvement of land	643	0	0
(7) Buildings, etc.	380	0	0
(8) Repayment of rent	217	0	0
(9) Repayment of old debts	9,786	15	9
(10) Marriages, etc.	744	0	0
(11) Miscellaneous	2,830	4	0
Total	22,768	3	9

There are no joint stock banks. I do not think that the Central Banks are in any way competing them, as they generally do not do the business done by the joint stock banks.

I do not think any more concessions are necessary to the co-operative banks, but the inclusion of debentures issued by the Provincial Co-operative Banks in the list of trustee securities will undoubtedly help them in raising money.

In this district co-operative movement has not succeeded in meeting the financial needs of the small traders and industries.

So far I am aware Usurious Loans Act is not being used by the civil courts. Unless the defendants take a plea the courts are reluctant to make use of it. It should be made obligatory on them to use it irrespective of the fact whether its plea is taken or not.

The enactment of legislation on the lines of the proposed Money-lenders Bill in the Punjab will be a great boon to the people of this district. I think honest money-lenders should have no objection to this. It will, however, mean a great hardship to dishonest money-lenders, to the widows who lend money by pawning ornaments and to illiterate money-lenders in the interior. Considering the appealing illiteracy in this district, I am not very optimistic about its proving very useful to the poor Gonds and Korkus. In my opinion, therefore, the problem of adult education and compulsory education needs immediate consideration.

The lending and borrowing should be left to the local banks, as it will be very difficult for the Provincial Banks to have an effective supervision in the absence of local knowledge and experience. It is true that they can appoint paid staff for the purpose, but the present arrangement of the directors visiting

the areas will have to be replaced and the necessary education training will not take place. It appears probable that by making provincial arrangements the rate of interest at which money would be available to the societies or members may be low, but at present the moral advantages outweigh. It is therefore in the best interest of the societies and members that the present decentralization should continue.

II.—Indigenous Banking.

QUESTIONS 1 AND 2.—The part indigenous banks play in this district—

(i) Financing the agriculturist, in cultivating his land, in the movement of crops and other expenses he needs till his crops are in the field.

(ii) They receive deposits to a certain extent.

(iii) Issue and discount hundi to a certain extent, thus supply money for trade.

(iv) Advance money to artisans and others, thus enable them to carry on their trade.

As regards agricultural finance, it has been clearly stated above, that out of the total debts owned by the cultivators, nine-tenth represent the debt owed to these persons and banks. The money is advanced to them on the security of their land, their valuables and at times of the standing crops. The trader is supplied with money by issuing or discounting hundis and also by advancing loans to agriculturists and petty grain dealers to purchase grains for export. In 1928 the following were the exports and imports at the Betul station alone:—

	Exports in maunds.	Imports in maunds.	(About.)
General goods ...	40,148	62,079	-22,000
Piece goods ...	...	4,265	-4,265
Salt ...	...	11,346	-11,346
Oil ...	...	10,079	-10,079
Food grains ...	87,815	15,013	77,000
Mahua flowers ...	5,660	536	10,000
Mahua seeds ...	3,712	445	3,000
	...	3,327	-445
	14,612	2,909	11,000
	...	2,712	...
	5,804	...	...
	25,710	...	...
Total ...	183,361	112,611	70,750

Over and above there is a lot of timber, hide and other trade. Thus the volume of trade which is financed by these people is very considerable.

QUESTION 3.—(a) and (b) It is very difficult to know the exact amount of capital invested by the bankers in Betul. But it can safely be put at about a crore of rupees. A part of this capital is generally lying idle as the bankers keep certain amount in reserve to finance unexpected demand.

(c) Their expenses are not much, as they generally combine banking with business, agriculture, malguzari, cloth-selling and other trades. The expenses are thus divided between different classes of work.

(d) They generally have no connection with each other, but in case of emergencies out of courtesy give loan to each other. They have absolutely no connection with co-operative banks.

(e) This does not arise in Betul.

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QUESTION 5.—The indigenous bankers or money-lenders generally grant money on the security of land and at time of crops. There is no system of cash credits, but at times they give accommodation to merchants and grain dealers.

It is not customary with the money-lenders to get the loans repaid in commodities, but when they advance money to grain dealers, they insist that goods should be sold through them. For these loans they do not charge any interest.

The indigenous banks and bankers have a capital of their own. It is very rarely that they borrow money from a fellow-banker to meet the demand. That is done only for a short time.

The rates of interest allowed for deposits received by them varies from 3 to 6 per cent per annum. In fact it is not customary for them to receive deposits. In some cases they do not pay any rate of interest.

The agriculturist community has to pay interest varying from 25 to 50 per cent per annum.

These rates can be lowered by promoting and spread of co-operative movement, grant of taccavi loans on an extensive scale and regulating the money-lending business. If a bank were to be opened at each district headquarter which could advance money to the money-lenders at 6 per cent per annum on condition that they would lend to the agriculturist at 9 per cent per annum, then the agriculturist would get cheap capital. The cheap rate of interest will benefit the agriculturist only if he uses the money for productive purposes and he is rid of his existing indebtedness.

There is some prejudice against some firms in this district, owing to their bad dealings with their clients. Instances are not wanting to show that very often these money-lenders take advantage of their client's ignorance and illiteracy and take the bond for any amount and manipulate the accounts to their benefit. To mention two of the many instances which have come to my notice in one case the money-lender took a tenants' 13.52 acres of field on lease for seven years in satisfaction of a loan of Rs. 50 advanced by him. After the expiry of seven years the money-lenders declined to vacate the field, saying that it was being cultivated not in satisfaction of debt, but in lieu of loan. In fact on examination of the bond it was found to contain the latter condition. The bond was written by the money-lender's relation and the debtor was made to understand that his field will be free after seven years.

(Refers to village Nipanya).
(Refers to village Churna).
A similar instance took place in another village where a man borrowed Rs. 150 at 25 per cent, while without the debtor's knowledge the debtor got it inserted in the bond that the loan will amount to 1½ times the principal in six months.

These defects can be removed only by education of the people and by licensing the money-lenders and regulating their accounts something like the English Money-lenders' Act.

Except in the case of occupancy tenants the money-lenders are sufficiently protected. The ruling allowing the occupancy tenant to become insolvent deserves to be reconsidered.

QUESTION 8.—Regulation of accounts and the spread of general education in the people combined with a rise in the standard of living are the only means of improving these bankers.

They sometimes keep two sets of accounts—one true and the other false. Their accounts are not generally open to inspection or verification by their clients. When the client goes to make a payment he is generally shown by the creditors by referring to his account book that he has paid so much and that he owes so much, including interest. Excepting a few honest and good money-lenders others are sure to oppose the introduction of any scheme for regulating their accounts and for giving publicity to the same. Their main objection will be that by this several widows doing pawn broker's business and several illiterate people carrying on petty money-lending will be seriously hit.

It is very difficult to say with exactitude the net return to the money-lender after deducting legal expenses, management charges and bad debts. I, however, give below a rough idea of the net gain to certain firms on the basis of figures supplied by them to me.

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Form X, Y, Z, (business done in one year).

Rates of interest per annum.	Amount advanced.	Interest on the amount advanced.
	Rs. a. p.	Rs. a. p.
(i) 26 per cent ...	8,444 12 0	2,411 3 0
(ii) 24 per cent ...	2,795 1 9	672 0 0
(iii) 18 per cent ...	10,135 0 0	1,800 0 0
(iv) 15 per cent ...	929 0 0	135 0 0
(v) 12 per cent (mostly secured by mortgage).	34,087 9 6	4,080 0 0
(vi) 9 per cent ...	4,600 0 0	414 0 0
(vii) 7½ per cent ...	2,750 0 0	210 0 0
(viii) 6 per cent (to friends and relations)	4,300 0 0	258 0 0
	68,041 7 3	8,480 0 0

The firm's total money-lending is about Rs. 5 lakhs and in one year the bad debts amounted to Rs. 8,000, legal expenses about Rs. 2,000 and management expenses Rs. 2,000, grand total Rs. 12,000.

Thus, making allowance for the above charges in the same ratio, the net-gain under interest from Rs. 68,041-7-3 would come to about Rs. 6,900 or the rate of interest would be about 10 per cent per annum. I think this errs on the side of lower rate and in my opinion the net gain is about 12 per cent per annum.

Another firm did not give me detailed figures, but only gave me the total amount of profit and loss in a year, with the total amount lent. They are given below:—

Year.	Total amount outstanding as loan.	Interest earned.	Losses incurred bad debts.
1	2	3	4
	Rs. in lakhs.	Rs. a. p.	Rs. a. p.
1927 ...	2	22,017 6 9	832 0 0
1928 ...	2	17,689 5 0	6,257 14 0

and putting about Rs. 1,600 for legal and management expenses the rate of interest would come to about 6½ per cent per annum, but I think the loss of Rs. 6,257 in one year is an abnormal one and considering normal losses his net profits would come to about 9 per cent per annum.

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One petty money-lender gave me the following details of his money-lending and expenses in one year.

Total amount lent Rs. 1,500 on rates of interest as shown below—

Rate per annum.	Amount.	Interest.
	Rs.	Rs.
75 per cent ...	500	375
36 per cent ...	500	180
24 per cent ...	300	72
18 per cent ...	150	24
6 per cent ...	50	3
Total ...	1,500	574

Expenses (for one year).

	Rs.
Two servants for realizing the money ...	200
A man to write accounts (only partly engaged in this work).	25
Litigation, bad debts ...	150
Total ...	375

net gain to Rs. 200 i.e., about 13 per cent per annum.

Thus, the net gain varies from 6 per cent to 12 per cent, as the case may be. In some years when the bad debts are high, the return is much lower.

QUESTION 10.—The indigenous banks are generally able to meet all the demands in the locality from their own money.

At times they refuse loans owing to the insufficiency of security, but never for want of capital.

Indigenous bankers can be made to link with the principal and provincial money market by means of organized banking system.

They can be connected to a bank, which may be either joint stock, a branch of reserve bank or a local bank. In a small place like Betul there is very little possibility of joint stock or local bank being successful owing to mutual distrust. A reserve bank is likely to find support by having at its back Government help. Such an institution is likely to inspire more confidence. The Government money which is lying idle from July to December can be utilized by this bank for financing agricultural operations through licensed money-lenders which in turn will return back to it by January and will be used for financing trade.

QUESTION 12.—A large amount of capital is at times lying idle with the bankers, but to some extent they use it for financing trade and industry.

If organized banking is established, it is expected that it will find profitable employment.

III.—Investment habit and attraction of capital.

QUESTIONS 1 AND 2.—It is difficult to give an idea of the existing resources of the banks in the provinces.

In recent years there have been several firms of investment open to the public. The chief of them were—

- (1) War loans.
- (2) Co-operative credit societies.
- (3) The Imperial Bank of India.
- (4) Exchange banks and joint stock banks.
- (5) Government securities.
- (6) Post office savings banks and cash certificates.

MR. R. D. BROHAR.

In a district like Betul the co-operative credit societies, Co-operative Central Bank and the post offices are the only institutions where saving bank accounts can be opened.

I have no figures about the post offices, but the Central Bank holds Rs. 34,378-4-7 in saving deposit and with the societies only about Rs. 8,345 from members and Rs. 827 from the non-members. This is very insignificant considering the vast rural area of the district.

The co-operative societies till 1920-21 used to ask the members to make a compulsory saving by deducting Rs. 2 or Rs. 3 from the loans made to them, but this was not appreciated by the people, with the result that the members were left to make voluntary deposits, but that has not resulted in any increase in the deposit. In fact this is not a savings bank deposit, but an ordinary deposit and carries 9 per cent interest per annum. Besides its great drawback is that the depositor cannot withdraw till the next crop or the recovery from the members, but in special cases loans are taken from the bank to meet withdrawals.

The non-members are also allowed to deposit. The Kirar's panchayat at Andharia, members of which are not members of the co-operative society, have deposited their panchayat money with a co-operative society which they have never withdrawn.

The difficulty of withdrawal is a great drawback. These facilities are required to make it more popular. Saving societies should also be formed to encourage saving.

The post office savings banks are sufficiently popular, but they only cater urban area and to be able to tap the savings effectively further modifications are needed in its rules.

Among the various suggestions made on this behalf are—

- (1) Relaxation as to the amount to be deposited annually.
- (2) Acceptance of deposits in the form of cheques.
- (3) A higher rate of interest on deposits more in correspondence with rates obtainable elsewhere.
- (4) Passbooks should be bilingual.

It is generally the Government servant and urban people who resort to such institutions.

The post office comes into contact with the saving of the people in another way through cash certificates. This is sufficiently popular among Government officials and others. Professors Wadia and Joshi suggest—

"As it is not possible to open a post office in every village, the village patel and the accountant (patwari), who collect the land revenue, could conveniently undertake the business in connection with cash certificates which may also be accepted at their realizable value in payment of land revenue. This will encourage thrift and habits of investment and avoid the large amounts paid annually as land revenue lying idle with the cultivator."

I do not think post office savings bank or cash certificates are in any way competitors to banking institutions. They only tap the urban area. Because of the sound security, while an unlimited rural area lies untitled where no investments are made.

There is no doubt that during the years of plenty, the Indians purchase some gold and silver ornaments for themselves and their wives and children. The use of gold and silver is in some cases sanctioned by religion and social customs and tradition. In a country like India where these things have religious sanction even in the daily life of the people it is very difficult to dislodge them from their minds. At times the people turn gold and silver into ornaments with the double object of personal adornment and of falling back upon it in case of emergency.

Among the higher caste Hindus and Muhammadans certain number and kind of ornaments on the person of the females carries a distinction in the society. In the cities education and general enlightenment is softening the rigors of social and religious customs, but in rural areas they still continue to be used as extensively as before. Among Korkus and Gonds also, though the use of silver and gold ornaments is not so extensive owing to their poverty, but still the effect of their Hindu neighbours is noticeable among the well-to-do Korkus and Gonds.

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There are four shops dealing in gold and silver. Their annual business is estimated to be somewhere near Rs. 2 lakhs. Making allowance for the silver that may be coming out in the markets for resale, I think about Rs. 1½ lakhs worth gold and silver are sold in a good year.

Oral Evidence.

Professor A. C. Sen Gupta: You talked about clause about penal interest in cases of default?—Yes.

Every year you give out taccavi in your district?—Yes.

Do you find that there is more demand than you can give?—Yes.

Do you think it would be good to give more taccavi?—Yes.

This clause about enhancement of rate of interest in case of default is very common. Is it not?—Yes.

Is default very common too?—Yes. Quite common, only in case of money lent by sowkars, but not in case of taccavi.

Therefore this penal rate of interest is the real rate of interest?—Certainly it is so in the case of sowkars. Government does not charge penal rate of interest.

You say wells for irrigation are not proposed. Is that because the rate of interest is high?—Yes. The rate of interest is high and also because there is no good market for vegetables.

Chairman: Can you give us the ordinary cost of digging a well?—Three to four hundred rupees.

Professor A. C. Sen Gupta: You think that occupancy tenants are at a disadvantage in borrowing money for cultivating purposes?—Yes. Because they cannot transfer their land.

Are you in favour of granting right of transfer to occupancy tenants?—Yes. That will enhance their credit.

You say that the cultivator has to sell his corn just after harvest when prices are low. Is it customary for the cultivator to sell all his corn just after harvest or to sell it in small quantities as he needs as cash?—It all depends upon the cultivator. If he is a big cultivator, he can sell it at any time when prices are good, but a small cultivator will have to sell it even when prices are low.

Some people fear that if the right of transfer of land is given to the occupancy tenants they will lose their land and you say that many malguzars in the district have lost their villages?—Yes.

Do you know that malguzars are not in favour of this right of transfer even if it were in the best interests of the country?—Yes.

Chairman: I understand you are a fellow of the Royal Economic Society of London?—Yes.

Can you tell us anything about co-operative credit banks in the Betul district?—In the Betul district there are only 207 societies and total the number of villages about 1,300.

How many of these societies are under liquidation?—I do not know exactly.

Have you made any enquiry about the working of co-operative societies?—I have not made an intensive enquiry.

Are they working satisfactorily?—Some of them are working very badly and not on the true co-operative principle.

What are the principal defects in the bad societies?—They do not spend the money for the purposes they borrow, and besides there is no proper supervision of the members of the societies.

In Betul district it is said to be an ordinary custom of agriculturists to borrow money every year for agricultural purposes and to repay after the harvest comes. Is it so?—Yes. I have said that about 25 per cent people borrow.

Have you estimated net profits of agriculture anywhere?—Yes. Of kharif crops, i.e., of kodon and kutki, it is about Rs. 5 per acre.

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What is the cost of cultivation?—About Rs. 2 to Rs. 3 per acre and the gross outturn about Rs. 8.

Does not the outturn of kodon and kutki depend entirely upon the rainfall and the season? In some years the profit may be nothing at all. Is it so?—Yes.

But in other years it may be much more than Rs. 8?—Yes, sometimes Rs. 20. Rs. 8 is only average.

Therefore, although you may estimate the net profit from the cultivation of kodon and kutki, it would be impossible to say how much net profit each individual cultivator may get in any particular year. Is it not so?—Yes.

If he had 20 acres of land, he may get practically nothing in one year, but in some years he may get Rs. 400. And the average for 10 or 15 years may be Rs. 160 per year?—Yes.

Therefore the cultivation of these kharif crops is very uncertain. Is it so?—Yes.

Therefore in bad years a cultivator will have to borrow?—Yes.

In what tracts do cultivators grow only one crop?—It is only in the Betul revenue inspector's circle. They grow wheat alone there.

In the circles where kodon and kutki are grown some other crop is also grown in the same holding?—Yes.

They do not depend entirely upon kodon and kutki crop?—No. They do not.

Do you know that many cultivators in Betul also get income from forest produce, etc.?—Yes. In two villages in which I have enquired, I found this to be the case.

Have you estimated the net income from non-agricultural sources and can you tell us the average income per cultivator?—It is impossible for us to estimate the income in the district from sources other than agriculture such as income from fuel, etc. However fuel and timber are the principle sources of income to the people of the Betul district.

Can you tell how much an ordinary cultivator earns in addition to his agricultural income?—I think about the same from fuel and timber as from agriculture. In the Betul district the income from sources other than agriculture itself will be not less than the total income from agriculture. I have made enquiries into this and I have come to the conclusion that income from other sources is not less than that from agriculture.

Vice-Chairman: As an executive officer you held economic inquiries in some villages. Did you not?—Yes.

You found that the actual indebtedness was much less than what it was vaguely supposed to be. Is it a fact?—Yes.

Do you think a larger supply of capital to the indigenous bankers will deflate rates of interest automatically?—Or do you think that even larger supply of capital will not be of any benefit to the borrowers?—I do not think it will benefit the borrowers.

Do you mean to say that the capital required for financing the agriculturists is already with the local indigenous money-lenders?—Lot of money is lying idle with them.

You say that in future Government should distribute taccavi through co-operative societies. Why have you recommended this?—When I wrote I had not sufficient figures of the Central Bank. I now find they have a larger supply of capital and I therefore wish to withdraw this recommendation which I have made in my written reply.

This system of bargaining which is called Hatta system is said to be beneficial to the sellers, because the purchasers are quite willing to offer high rates. Is it so?—Yes. I have heard it said.

Is it true?—I do not agree. Sellers are at a great disadvantage.

Chairman: As an expert on political economy you will no doubt agree that the middleman of ten performs a service to the community?—Yes.

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Do you think that the amount which is taken either in legal or illegal ways as remuneration for the dalals, or adatyas, services is greater than the advantage which the cultivator obtains from these services?—I do not think, having regard to state of society that the commission which is absorbed by the middlemen is excessive. It is probably not more than 6 or 7 per cent.

Will not the agriculturists get more if they sell their goods direct in the small bazars and do not use the services of middlemen?—In the small bazars they are cheated more, because the purchasers use false weights and other mal-practices.

Vice-Chairman: You have given a full account of the forest subsidiary occupations what are pursued by the agriculturists. Is it not?—Yes.

I suggest that all cultivators who have the necessary initiative for increasing their income are already engaged in general or other local subsidiary industries. Is it not?—Yes. But the existing industries are not properly organized. The principal industry is the selling of fuel and timber. As there is no organization, the individual persons have to pay different rates to the malguzars for the timber which is extracted. If they can be organized in associations, it will be beneficial to cultivators.

You have said that associations of indigenous bankers would be useful. Do you want to bring about such associations by legislation or by explaining to them the advantages?—I do not think it is possible to advocate formation of unions of money-lenders as they do not trust each other.

Rao Bahadur M. G. Deshpande: Have you seen cultivation by occupancy tenants?—I am a cultivator myself and occupancy tenant.

Do you find any occupancy tenant who never cultivated his land for lack of capital?—No.

They cultivate themselves properly?—Not properly, but they manage somehow.

You mean that if right of transfer be given to them, they will be benefitted and do cultivation well?—Of course, we expect them to do it.

But no occupancy tenant up till now suffered for want of capital. Is it not?—Because the creditor is generally a malguzar and it is to his interest.

Do you mean that occupancy tenants only get low advances from malguzars and nobody else?—In one village 39 per cent money was advanced by malguzars.

What is your opinion about loans?—Sowkars also give, but petty loans.

Then why do you encourage this right of transfer?—Because it is in the interest of the cultivator.

You mean that at present occupancy tenants have not got right of transfer and they are not doing their cultivation properly. Is it?—No. I do not mean that. I mean that they do not get sufficient and cheap capital as they have not got transferable right in the land. I want to know whether they ever suffered for lack of capital, in agriculture?—I think there must be low outturn, because of bad seed they get from their creditors, and also failing to get adequate amount of capital at reasonable rate of interest for improvement and capital investment. Do you know the percentage of defaulters amongst agriculturist who take loans from Government for improvement?—I cannot say, because this is being done by the Tahsildars. I have got no idea.

You said that co-operative banks have advanced about Rs. 22 thousand. You have said also that for the last nine years there was no bad year. Then why this big outstanding of Rs. 3 lakhs against the societies?—Because in the beginning these societies advanced without examining the solvency or character of the members and there was slackness in collecting money.

Outstandings are due to slackness. Is it?—Yes. Not to the failure of crops.

Seth Narsinghdas Daga: Can the cultivators do without sowkars?—No. Money-lender is absolutely essential for financing agricultural industry. His operations at present are extended to 9/10th of the debts.

MR. R. D. BLOHAR.

(c) EVIDENCE OF WITNESSES WHO DID NOT FURNISH WRITTEN STATEMENTS BUT WHO WERE ORALLY EXAMINED.

Mr. F. C. TURNER, C.I.E., I.C.S., Commissioner, Nerbudda Division.

Oral Evidence.

Nagpur, the 14th February 1930.

Chairman: There are three main questions which many witnesses have raised before us. One is the question of taccavi. The last witness has just said that he found in some cases that the amount of taccavi was not really enough to meet the real needs of the borrowers. What we should like to know is whether in these tracts at least where other adequate credit facilities do not exist, there would be in your opinion any objection to a general expansion of taccavi distribution. Then as regards the amount of individual advances, it is said that a tenant often requires at least Rs. 12 per acre for completing his agricultural operations, but supposing the rent is only 8 annas or 12 annas per acre, he would not be able to get more than 5 times this amount, i.e., Rs. 3 or Rs. 4 an acre in taccavi. It has been said that the only limit in an individual case should be the actual amount which a cultivator really requires for his agricultural operations?—I think this view is correct. I admit that at present some Tahsildars give out entirely inadequate amounts. I have just been touring through Nimar where I found that in many cases sums of Rs. 5 and Rs. 10 had been advanced by the Tahsildar. This is quite useless.

Would you then advocate the removal of the limit of 5 times the rent?—This is only the limit in individual cases.

On joint security also is not the limit 5 times the total rent of all the borrowers?—Yes, that is so.

The general idea of most of the witnesses who have come before us, including Sir Shankar Rao Chitnavis, is that in the ryotwari tracts a special responsibility should attach to Government to finance its ryots. The ordinary sowkar refuses to advance except at very high rates of interest, because the ryots cannot offer him any security. We have found that the usual rate of interest charged by sowkars in these tracts is often 35 to 40 per cent. Would you favour us with your views on the subject?—One solution is to be found in the co-operative credit society. I do not see how any Government would be able to finance the whole country side. I agree, however, that there is scope for extension of our taccavi operations. One year in Berar I advanced 20 lakhs of rupees in taccavi which proved to alarm Government rather, but it was recovered in full with two years' revenue in the following year. This year was of course a year of good crop and high prices.

The position appears to be that Government under the law has better security for its loans than the money-lender and the best possible agency for recovery. The problem, however, is how the money is to be raised, if Government is to start on a wholesale financing of agriculture over large areas.

We do not mean the whole country side, but refer particularly to ryotwari tenants?—Well, even the ryotwari tract is not a small one. There are about 200 villages in one tahsil in the Nimar district. The best solution will be to give them rights of transfer in their land. I think the time has now come to allow the ryots to purchase rights of transfer in their land.

Would you put the rights up to auction?—No. A certain percentage of the revenue should be fixed, and if any ryot wants to buy the right of transfer in his holding, he should be allowed to do so.

The other day Captain O'Grady of Burhanpur gave evidence before the Committee. His view was that this right of transfer should be subject to the sanction of the Deputy Commissioner?—How much work are we going to put on the Deputy Commissioner?—There would be so many cases that the Deputy Commissioner would never have time to study them on merits and any orders passed would be merely formal orders.

F. C. TURNER.

Do you think a tenant in Central Provinces is now able to look after his own interests?—Yes. The tenants of the Central Provinces, except the aborigines, in most districts are just as capable as the Beraris.

Would you be in favour of granting rights of transfer to the occupancy tenant too?—I am inclined to think so.

In our enquiries we have seen that an occupancy tenant has to pay a higher rate of interest, because he has no rights of transfer?—Yes, of course.

What would you propose?—I think the occupancy tenants should also be allowed to buy the right of transfer on payment to the malguzar.

Would you give him full rights like a Berari then?—Yes.

Do you see any change in the people since you first joined the service 34 years ago?—People are quite capable of looking after themselves now. There has been a great change even during the last 10 years.

Do you think debt conciliation proceedings would serve any purpose unless we are in a position to pay off in cash the balance of debt agreed on?—Debt conciliation proceedings were carried out 25 years ago, but were affected mostly through executive influence. Under changed conditions I do not see how debt conciliation could work unless some arrangements for paying down a cash sum in full satisfaction existed.

This could be done by a land mortgage bank?—The experiment might be tried.

As regards land mortgage banks, do you foresee difficulties?—The Hindu Law and Muhammadan Law present great difficulties. A man may mortgage his holding and later on his son begins litigation, saying that the mortgage was for an unlawful purpose, etc.

You think that some special legislation would be required on these points before land mortgage banks could be really successful?—Yes. I have heard that the Imperial Bank does not advance money on landed security.

It is because they do not want to do long-term business. Advances on the security of land are prohibited by the Imperial Bank Act?—But there is no reason why they should not lock up a certain proportion of their capital.

Can you give us any views on the problem of indebtedness in Berar and the high rate of interest?—I think the amount of debt is often exaggerated. Jalgaon is a taluq in which a big portion of the land is said to have passed into the hands of money-lenders. But you find from Mr. Greenfield's report that the percentage is only 16 per cent up to date.

In our enquiries we have found that only about one-sixth of the land is mortgaged at all?—The Beraris have a great name for complaining.

Have you noticed any increase in the rate of interest during your long stay in Berar?—There was one period when they could not get credit at all. Then very high rates of interest prevailed 4 per cent per month on good security and at the same time you had the commercial banks bursting with cash. The problem is how to meet the demand for money in the agricultural busy season.

Do you think then that the high rate of interest is due to shortage of money more than to anything else?—Yes, but I think a good deal is due also to the conservatism of India. Nothing but keen competition will bring down the rate of interest.

Vice-Chairman: Apart from the crop failures wholesale, local or partial there is no keen demand for taccavi in Berar. Is it a fact?—Well, I would not be able to give an opinion on present conditions. When I was there it was like that.

Is it a fact that for many years the Deputy Commissioners surrendered large amounts of taccavi?—Yes.

Rao Bahadur M. G. Deshpande: Are you in favour of allowing occupancy tenants to purchase the rights of transfer?—Yes.

Have you any idea as to the percentage they should pay to the malguzar for the purchase of right of transfer?—The malguzar has a right to be compensated, because of the possibility of getting nazrans on transfer.

F. C. TURNER.

Have you looked into the figures of nazrana for certain periods of years? Would you be able to get the desired figure?—I am not prepared to suggest any percentage off hand. But the more I live in Central Provinces the more I find that this nazrana is a horrible hardship. I have heard of cases where the malguzar has demanded nazrana up to 50 per cent of the purchase money or even more.

How many cases have you had of this type?—I cannot say how many. That is an impression I have formed.

Do you not think that, if rights of transfer were given, they will be more heavily indebted and their land will pass to the sowkars?—No. They no longer need restriction on rights of transfer. I do not think the Bania wants to hold lands. It is not his business and he cannot manage it. It is true some weaklings will go to the wall and some unfit persons may lose their lands; but I believe in the survival of the fittest. Of course some protection for aboriginal like the "Korkus" will still be required. But the ordinary occupancy tenant in the Central Provinces is now fit to have rights of transfer.

In ryotwari villages we learn that holdings, when surrendered, are put to auction?—Yes, in certain villages.

Government gets sufficient money when they are auctioned. Do you not think that this is a sort of "nazrana"?—No. Here is land on Government's hands, several people applying for it. To whom is Government to give it.

In the same way the malguzar takes the surrendered field and gives it to another man?—That is the way they get round the law of transfer.

Can I say that Government is following the same procedure?—No. The man surrenders his holding without pressure from Government and there is no prearranged agreement to give the land to any particular person. I am going to propose to Government now that every ryotwari village should be an "auction" village.

Chairman: Would you go so far as to recommend that, when the land is auctioned, it should be auctioned with the right of transfer?—Yes. I am now in favour of giving rights of transfer upon purchase.

Rao Bahadur M. G. Deshpande: Do you advise us to recommend that taccavi should be distributed freely to all tenants as the rate of interest is very low?—How is Government going to get all this money?—In the first place their policy at present is only to give freely in years of scarcity and even then they do not finance the whole country-side. The resources of Government are limited.

It has been suggested to us that cultivators who do not get an adequate amount of taccavi have also to borrow money from the sowkars who charge a very high rate of interest, because the taccavi advance is the first charge on his land?—I do not know. It is one of the grievances we hear from the village grumbler.

Professor A. C. Sen Gupta: With regard to the auctioning of surrendered holdings in ryotwari villages, do you not think that it would be better to put the rent to auction, because the cultivator has to borrow at a high rate of interest?—He repays in instalments and in years of scarcity, the Deputy Commissioner allows him time to repay. I do not know whether this system is introduced in Berar. I think that they would be more tempted to make speculative bids if we auction the rent than the premium. I agree that when the ryots are heavily indebted if you give the right of transfer, the sowkars will get the land. At present a man without rights of transfer can go to the insolvency court.

Do you not think that in many cases these money-lenders would take a considerably less amount paid in cash in lieu of their present debt?—Yes.

Chairman: Thank you very much.

RAI SAHIB PANDIT LAXMINARAYAN MUSHRAN,
Landholder, Narsinghpur.

Oral Evidence.

Nagpur, the 21st March 1930.

Chairman: You are a member of the District Council, Narsinghpur district?—I am the Vice-Chairman of the District Council and I am also a Darbari and Khas mulakati. I was also an honorary magistrate. I am landowner of the Narsinghpur district.

Do you take any part in the co-operative credit movement?—No.

Did you take any active part in the past?—For more than a couple of years I was the Secretary of Narsinghpur Central Bank.

Could you tell me what is the chief reason of the indebtedness of the agriculturists?—In my opinion agriculture is not a paying concern. As there is no irrigation in the Narsinghpur district, the agriculturists are dependent upon the variation of the season.

When you say that agriculture is not a paying concern, what exactly do you mean?—I do not mean to say that there is no profit from agriculture, but my meaning is that the profit uncertain as the crop outturn varies from year to year. In years of short rainfall, a cultivator is compelled to borrow money for his agricultural operations and often for his maintenance charges.

Do you think that an agriculturist becomes extravagant in good years?—No. I do not think so.

What would you consider to be the remedy for indebtedness?—Improvement of agriculture is the only remedy. Unless we increase the outturn, it is very difficult to prevent indebtedness.

I would suggest to you that part of the indebtedness is also due to the high rate of interest. Do you agree?—Yes.

If we could keep the rate of interest down, would it help agriculturists to meet their liabilities?—Yes, to some extent.

You said that agriculture is not a paying concern. Is it not an admitted fact that some of the persons who practise agriculture in the Narsinghpur district have accumulated a considerable amount of wealth?—Not only on account of profits from agriculture. It is on account of the money-lending business they do.

Do practically all the malguzars in the Narsinghpur district carry on money-lending?—Yes, practically all.

It comes to this then that persons who grow rich, grow rich at the expense of other poorer cultivators who are compelled to borrow money from others. Is it not?—Yes.

Am I right in understanding you to mean that whenever an agriculturist gets a little capital, he invests it in money-lending?—Yes.

Money-lending is a more profitable business than agriculture?—It is so.

I understand that you do a little money-lending?—Yes.

Have you always been doing money-lending or only recently?—Always.

How much money-lending do you do?—About 2 to 3 thousand rupees.

What is the net profit from money-lending that you get?—Although I charge 24 per cent, I do not get more than 12 annas per cent as my average profit per year.

Do you think the co-operative credit movement has performed valuable service to the agriculturists?—I think it has, but it is not so popular as it ought to have been.

What are the reasons?—There are two or three reasons. The chief reason is the joint liability that is involved. Another reason is that the co-operative banks advance loans only for productive purposes. For example, a cultivator will find it very difficult to get a loan for marriage from a bank, and thirdly, they think they have to spend a lot and the interest comes to about 2 per cent.

RAI SAHIB PANDIT LAXMINARAYAN MUSHRAN.

Another reason is that banks depend on Government reports in the matter of realization. If the Government report a particular year to be a good year, co-operative banks realize their loans, but the local money-lender knows the condition of every man and therefore gives him more facility in the matter of realization.

Do you mean to say that the co-operative bank authorities take rigorous measures in the matter of realization?—Yes.

Is it a fact that in old times they never recovered loans?—Yes.

Do you think that there are many bad debts?—I think so.

Do you think that there is a slack supervision in co-operative societies inasmuch as it so happens that some people do not get enough loan and others get too much?—Yes.

Mr. D. P. Bhargava, who gave evidence before this Committee, said that he does not get a crop of more than 8 or 9 fold the seed. I do not know exactly what that means?—I think that two-fold is required for seed, rent and barhi. About one-fold is required for expenses of cultivation and one-fold is required for the upkeep of the family. About one-fold is wasted in the field while the operations are going on and before the grain is stored in *bandhas*.

We find that the subletting value is very high. Do you think that it represents fairly the value of the land?—Agriculture is profitable only for those who work themselves.

Rao Bahadur K. V. Brahma, C.I.E.: From your own experience as a money-lender could you tell me what difficulties are experienced by money-lenders when they are required to go to courts for the recovery of their money?—I cannot say as I had rare occasions of going to court.

Could you tell me what difficulties other money-lenders experience?—No.

Are there long delays in deciding these cases?—Yes.

Do you think it is on account of the tactics used by the debtors or on account of the fact that courts are overworked?—I think the chief difficulty is the complicated machinery and also various laws that are in force.

Have you any idea of the thrift habit of the villagers?—Yes.

When they sell their crops, what do they do with the money they get?—They pay off the debts, rent and keep some money for their maintenance. The balance is converted into gold or silver.

Does a cultivator hold the money required for his current expenses for the whole of the year with himself or does he keep it with somebody else?—He keeps it with himself. He does not entrust it with anybody.

What are the reasons?—There are no facilities for keeping in the bank.

If facilities are provided, do you think agriculturists will take advantage of it?—It would take a long time though. He is very conservative and is not readily willing to hand over his money.

Do you think that a propaganda will result in inducing him to put the money in a bank or with a banker?—Yes. But there are certain difficulties on account of which people do not like to deposit money in the banks. For instance, my daughter had an account in the post office bank. Once she wanted to withdraw the money and therefore filled a withdrawal form. It was returned on the ground the signature did not tally with the specimen signature.

Do you advocate a change therefore in the rules of post office savings banks?—No. I do not. The rules must be rigidly followed to avoid any fraud. I simply made a mention, because agriculturists do not like to keep money in banks for such difficulties.

Suppose we organised small savings societies or savings associations in villages under Government supervision. Do you think they will work?—Yes.

Supposing the malguzar of the village is asked to act as a banker, would the people trust him?—I cannot say about other malguzars but I am sure that my tenants trust me. I agree that the malguzars ought to be good enough and trustworthy, but I cannot say whether they will be trusted.

Have you had any experience of the postal cash certificates?—Yes.

Do you think agriculturists purchased them?—No.

RAI SAHIB PANDIT LAXMINARAYAN MUSHRAK.

Was it on account of their ignorance of this facility or whether they did not like to lock up their money in this form?—Both the reasons and responsibility.

Chairman: It has been suggested to us that by giving full rights of transfer to occupancy tenants, we shall thereby reduce the rate of interest on their loans and the annual interest charges. Do you agree?—Yes.

Therefore you will agree that to that extent the granting of the rights of transfer would be an economic advantage to the cultivators?—Yes.

It has been stated before us that the greatness of a nation depends upon efficiency, self-reliance and spirit of enterprise of the individual citizens and it has been further said that, as long as we keep our cultivators in leading strings and treat them like children they can never be self-reliant and that we can never hope to make India a great nation until we grant full rights of transfer to occupancy tenants. What is your view on this?—I whole-heartedly agree with this view. I appeared as a witness before the Select Committee on Rao Bahadur N. K. Kelkar's draft Bill which is before the Legislative Council for granting qualified rights of transfer to occupancy tenants and, at that time, my only objection was with regard to nazranas, and I pleaded that, in order to satisfy the claims of the malguzari body, 25 per cent of the transfer price should be allowed to them by way of nazrana.

Are you aware that these limitations on rights of transfer were only introduced by the Tenancy Act of 1898?—Yes. Before that the occupancy lands used to be mortgaged.

Are you also aware that Government, at the time of land revenue assessment, does not include the income from nazrana in the siwai income? When this income has sprung up fortuitously, and is not recognized by Government in revenue assessment, do you think that Government should now recognize it as a legal change on the tenant?—It is incorporated in Rao Bahadur Kelkar's Bill.

Can you not go beyond this Bill?—As a proprietor, the malguzar must get some nazrana.

Up to 1898 the tenants had the right of mortgage?—The malguzar used to sign the mortgage without which the mortgage was not thought to be legal, and for this he used to get some nazrana.

Would you be prepared to go one step further and support a Land Purchase Bill, whereby a tenant could buy the full rights from the malguzar by paying a lump sum down and acquire full rights in the land?—Yes.

Gradually, the result would be that the malguzar would be reduced to the position of a patel?—Yes.

Do you think that many tenants would lose their land, if they were given full rights of transfer?—Only the unfit would lose their lands. Land is the last thing that the tenants part with.

Do you think that the cry raised by the altruistic malguzars expressing great anxiety that the tenants might lose their lands in such a case is genuine?—The cry of the malguzars is not genuine on the whole. As far as the Narsinghpur district at any rate is concerned, the ryots are intelligent and capable of managing their own interests.

Rao Bahadur M. G. Deshpande: You have replied to the Chairman that agriculture is not a paying concern. Can you suggest any remedy to make it paying?—The only remedy, in my opinion, is education.

Are you in favour of big irrigation tanks or small irrigation tanks?—Small tanks would be more profitable than big tanks.

It has been stated that, in this tract, 60 per cent of the land is full of kans and therefore they cannot bring the land under cultivation. Can you suggest any way to remove this kans?—The villagers must utilize tractors from the Agricultural Department on hire for this purpose. Human labour would not be sufficient for this purpose.

As regards the co-operative movement, you have given the reasons why it is not popular. Can you suggest any means by which it can be made popular?—It is joint responsibility that is making the movement unpopular.

RAJ SAHIB PANDIT LAXMINARAYAN MUSHRAN.

Do you think that the land mortgage bank, when established, would be of great use for small cultivators?—It is generally useful for big cultivators and for long-term loans.

Chairman: Do you think that the principles of co-operation are suited to India or not?—I do not think the present form is suitable. When two brothers cannot work jointly, how can you think that ten or twelve persons of a village would work jointly.

Do you know that the principal aim of the movement is not to serve as a money-lending agency, but to educate the people in co-operation to bring about moral improvement in them and to urge them to the thrift habit?—I do not think that the movement has done these things at all.

Rao Bahadur M. G. Deshpande: Do you think that it is safe to make advances to individuals from the co-operative banks?—Yes, if the individual has got rights of transfer in his occupancy land.

You say that the co-operative banks are dependant upon the Government. Do you know that the co-operative banks are very slack in their recoveries? Would you explain your meaning?—When the Government has not suspended revenue, the co-operative banks do not also recognize the difficulties of the members owing to poor harvest.

Chairman: Your meaning is that there has been a change in the policy of these co-operative banks. At one time they were too lax in their recoveries and now they have become too rigid in collection?—Yes.

Rao Bahadur M. G. Deshpande: Do you think that taccavi advances are properly made to cultivators?—No. Cultivators do not like to take these advances, because Government may take back the advance at any time when they may not be prepared. They may not have a full harvest: but Government may say that the harvest was full. The indigenous money-lenders would give some consideration in such cases. Therefore cultivators go to indigenous money-lenders for their needs.

As regards the rights of transfer, do you want to give them full rights of transfer or qualified rights of transfer in the case of land mortgage banks?—I think they must be given full rights.

Do you not think that, by giving full rights of transfer, the debts of cultivators would go on increasing?—It is only at times of necessity that the cultivators borrow. They never borrow for their enjoyment. This is my view. The cultivators are not extravagant. I do not agree with the view that the debts would go on increasing if full rights of transfer were granted.

Can you suggest any remedy to keep the rate of interest down?—Giving rights of transfer and giving them some security to offer, is one of the best methods to keep the interest down.

Can you give the present rate of interest charged by sowkars?—Re. 1 or Re. 1-4-0 on mortgages for absolute occupancy tenants.

Replying to Seth Narsinghdas Daga, the witness said: The minimum rate of interest which sowkars charge on mortgages is 6 per cent. I do not think that even if the rate of interest is reduced, every cultivator would necessarily be thereby well off. The rate of interest on unsecured debts is 24 per cent. Members of co-operative societies are charged 12 per cent interest. The rate of interest has increased latterly. I do not agree that the rate of interest has been reduced as a result of the opening of co-operative societies. The interest depends on the supply and demand for money.

Chairman: As regards the land mortgage bank, there are two kinds of debentures, simple debentures and premium bonds. Which do you prefer?—Both may be tried.

What do you think should be the rate of interest offered on these debentures?—Not less than 6 per cent.

As regards the thrift campaign, do you think that there will be any objection to Government servants taking a part in this campaign?—I think it is a good thing and there should be no objection to Government servants taking part in it.

Chairman: Thank you. Good morning.

V.—CHHATTISGARH DIVISION.

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

KHAN SAHIB I. TALIBUDDIN, Malguzar, Raipur

Reply to the Questionnaire.

I. Agricultural credit—

- (1) Co-operative societies.
- (2) Government taccavi loans.
- (3) Private indigenous banks.
- (4) Well of tenants or malguzars.
- (5) Payment of labour.
- (6) Sale of cattle.
- (7) Sale of grain.
- (8) Sale of standing crops.

Defects—

- 1 (a) Enormous amount of interest.
- (b) Joint liabilities.
- (c) No refund of reserve fund.
- (d) No deduction from loans.
- 2 (a) Heavy interest.
- (b) Obtainable difficulties.
- 3 (a) Most heavy interest.

Remedies—

- 1 (a) There should be no joint liabilities.
- (b) Interest in proportion for large and small amount of loans.
- (c) Refund of the reserve funds to individual borrowers.
- (d) Appellant courts closely approachable.
- (e) Paid securities recommended.
- 2 (a) Moderate interest one-third to what it is current.
- (b) Permanent improvements when taccavi is advanced such as for making tanks and reservoirs, no interest is desired for such loans.
- 3 (a) Exemption be provided of court-fee stamps as justice is shown to the co-operative societies.
- 4 (a) The similar privilege be provided as of co-operative and of Government taccavi loans.
- 5 (a) Labour Act should be enforced.
- 7 (a) Co-operative stores and Government, agriculture granary industrial cultivators to obtain proper prices.
- 8 (a) Such banks need be provided which would advance loan for a very small period until the grain on the crops are sold at crop rates.
- 9 (b) Contract of such sales fixing prices should be in the hands of Government taking into consideration the cost of labour, production of land, rent and other charges.

Agent, Imperial Bank of India, Raipur.

Reply to the Questionnaire.

Part I.

QUESTION 1.—The agriculturist in this district obtains finance for—

(a) Expenses during cultivation, from the malguzars and from the grain-dealers who have branches in the smaller villages in the interior. A contract is usually entered into to supply the agriculturist with grain for sowing from time to time. Such advances are repaid in the month of January in the shape of grain for kharif crops and in the month of April for rabi crops. Very few advances are made in hard cash except at the time of weeding.

(b) For capital and for permanent improvements, from Government, in the shape of taccavi loans, and from co-operative banks. Such advances given by the co-operative banks in this district are not granted to individuals. The system prevailing here is for, say, at least six agriculturists of one village to club together and furnish a bond of security and on this the co-operative bank grants the advance.

(c) For other needs such as failure of monsoon, land revenue and ceremonial purposes, by pledging moveable and immoveable property and borrowing on credit.

Usually, 9 to 12 per cent and for one year. The security given is moveable and immoveable property and in some cases standing crops. Such loans are not granted for a longer period than one year. If repayment is not made at the end of this time, compound interest is charged. In the case of loans for large amounts the time may be two or even three years.

For this district expenses during cultivation—

	Rs.
Approximately	25 lakhs.
Improvement of land	5 lakhs.
Other special needs	15 lakhs.

Kharif, i.e., paddy and kodo—2 lakhs bags approximately.

Rabi, i.e., wheat, gram and oil seeds—50,000 bags approximately.

Practically all cultivation in this district is wet land.

Such advances are only granted until the new crops are marketed, repayment is made by returning 30 per cent to 40 per cent of the quantity advanced.

QUESTION 3.—Value of land per acre for (a) kharif, (b) rabi in—

	Rs.	Rs.
1. Government auction for non-payment of revenue ...	40—50	50—60
2. Sale of court decree ..	50—60	50—60
3. Purchase by private negotiation...	60—150	60—120

The functions affecting such value are—

(a) Proximity to irrigation canals.

(b) Soil.

(c) Proximity to the railway and grain mundi.

QUESTION 4.—Yes, the fact that a tenant cannot mortgage his land without the previous sanction of the malguzar in this district. There are no land mortgage banks or agricultural banks in this district.

Part II.

QUESTION 12.—No, I do not think there is a large amount of money in the hands of the bankers and shroffs in this district which does not find employment. Their funds are fully employed during the season and any surplus they may have in the off season is remitted to their agencies in the large towns.

AGENT, IMPERIAL BANK OF INDIA, RAIPUR.

Part III.

QUESTION 1.—With the exception of the post office savings bank practically no facilities exist in the interior for investment of savings.

Improvement in this direction can only be brought about by the opening up of marketing centres and developing trade which would enable co-operative and joint stock banks to establish branches at these centres.

Modern banking methods are of little use to the small agriculturists. In this district the great majority of the agricultural class is illiterate and the banis, the shroff and the zamindar supply all the facilities which the people at this stage are capable of utilizing.

QUESTION 2.—No. Postal cash certificates are not popular in this district.

QUESTION 3.—Locally Government securities can only be purchased and sold through the branch of the Imperial Bank of India, the Allahabad Bank or the Raipur Co-operative Central Bank.

No facilities whatsoever exist in the interior of the district for the sale and purchase of securities. In this district the small agriculturist is very backward and any facilities granted would not induce him to invest his savings in such securities, with the exception of those mentioned above no other facilities exist locally for the purchase and sale of securities.

Yes, extensively in this district. The terms are usually that the former advances in the shape of grain, cultivation and sowing being done by the borrower, weeding and harvesting charges borne by both parties and outturn equally divided. Revenue is paid by the farmer.

In a prosperous year agriculturists invest their money chiefly in gold and silver ornaments.

QUESTION 4.—In the interior of the district there has been practically no growth in the cheque habit, but in the larger centres the cheque habit is becoming more popular.

From my experience of this district there has been little effect on the growth of the cheque habit by the abolition of the stamp duty.

Officials, bankers and the larger shroffs and traders use the cheque.

SETH GOPIKISHAN NATHANI, Banker and Merchant, Raipur.

Reply to the Questionnaire.

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

QUESTION 1.—For expenses during cultivation finance is obtained generally from indigenous bankers, well-to-do agriculturists, malguzars, co-operative banks and Government. In failure of monsoon when loan is required, they either go to work on relief camps opened by Government or to foreign places like Calcutta; etc., for their maintenance by doing work on wages, etc. For ceremonial purposes, etc., agriculturists obtain loans from bankers generally.

In this district rates of interest are ordinarily from 12 annas to Re. 1-8-0 per cent per month, but at times of need and emergency some agriculturists obtain loans of Rs. 5 or Rs. 10 from petty money-lenders at the rate of half anna per rupee per month.

Agriculturists do not get loans on mortgage of land, because of occupancy land they possess cannot be mortgaged.

Grain (paddy) advances are given on condition of return by *sawai* (i.e., 5 or 10 *kudos* more per *khandi*).

The advance of rabi grain is given on condition of *dedhi* (i.e., 50 per cent). Generally, there is a difference in rates when seed is advanced and harvesting of crops is done, hence actual profit is not 25 per cent or 50 per cent.

There is no defect in the present system.

QUESTION 2.—In this district agriculturists either take their crops for sale to Raipur market or to other places where there are markets for sale or if convenient sell them to petty or big merchants who go to villages for making purchases. There are two kinds of *hundis* current in this district, viz., *hundi* at date and *hundi* at sight.

Hundis issued from this place are discounted in the local centre, and they are also sent to a provincial centre and discounted there.

QUESTION 3.—Value of land is different in different villages. It is dependent on its productive capacity. Ordinary rate is Rs. 15 to Rs. 50 per acre, while in some places it is from Rs. 80 to Rs. 100 per acre.

The value of land is not affected either by Government auction for non-payment of revenue in the event of sale by court decree or in purchase by private negotiation. If purchasers are many, the land fetches good price, but if a few only, the price also is low.

QUESTION 4.—If occupancy tenants and malguzars are permitted by law to mortgage their lands then there is great loss.

An occupancy tenant cannot mortgage his land and the malguzar cannot mortgage *sir* land without permission of the Deputy Commissioner.

In my opinion records of rights should be completely maintained so as to show all titles of ownership.

QUESTION 5.—In addition to subsidiary industries mentioned in this question, there are many other industries which can give employment to agriculturists during his spare time and thus enable him to supplement his income. They are weaving of cloth, weaving of *nowar*, rope-making, dishes, cups, oil-pressing, cart-making, purchasing grain in villages and selling it in cities, weaving of blankets, preparation of tiles and bricks, etc. For all these industries it is very necessary to provide facilities to agriculturists to get loan at a low rate of interest. There are some indigenous bankers in villages who provide money for these purposes, but all agriculturists do not get enough money according to their needs. For these industries and others such as sugar refineries, *gur*-making and rice-hulling, etc., capital is required for purchase of necessary machinery. Agriculturists are unable to undertake these works. Those people who have some property can invest some money in such industries. Bankers advance loans on property and in such cases the rate of interest is generally Re. 1 per cent per *messem*. But the bankers themselves have not got enough capital so as to be able to meet the demand of the whole district.

SETH GOPIKISHAN NATHANI.

QUESTION 7.—In reply to this question, I can only say that co-operative banking has not yet developed to the extent of being able to meet the demand of the district.

The concession of exemption of super-tax enjoyed by the banks should also be extended to merchants. In my opinion, if merchants have suffered any loss of capital in business, no income-tax should be recovered from them until they are able to make up the loss.

The co-operative movement has succeeded to a certain extent in meeting the financial needs of the people.

Money-lending business is of two kinds. There is a class of money-lenders who do regular business of money-lending and who keep regular account books in which their daily transactions are written. Their methods of business are not open to any suspicion. All amounts of recoveries are entered in their account books. These bankers close their accounts annually and, as far as possible, at the time of Diwali obtain signatures of their debtors after explaining to them their accounts. But debtors who obtain loans on bonds do not see their accounts and sign the account books annually.

The repayments they make are written on the bond itself and for such repayments separate receipts are given. When debtors repay the whole amount of their loan or renew their bonds they close their accounts. Majority of such debtors are literate and some are illiterate also, but at the time of settlement of their account they bring with them some person who understands accounts and get their accounts explained. When debtors ask for their accounts, bankers generally supply them with a copy. They do not object to give a copy of their account. If such money-lenders are required to be licensed or registered and are troubled in some such way, they will not be able to do their business and put up with the loss through such troubles and therefore it would affect the money-lending business. Money-lenders who keep regular account books will be found in big towns and sometimes in big villages also. There may be one or two such big money-lenders in small villages. Such big money-lenders advance large amounts of loans at a rate of interest from 12 annas to Re. 1-4-0 per cent per month or according to the status of persons. Their interest on big amounts is low. If instead of asking often their accounts, debtors were to keep with them a book in which they would ask money-lenders to write the amounts of loans and repayments, the money-lenders would not object to it and such practice is prevailing to a certain extent in these parts. Debtors themselves take to money-lenders the amount for repayments, credit it and write the accounts in the books of money-lenders and at the time of final settlement square up all such accounts.

Another question is about the charging of compound interest. It is asked whether the system of compound interest should be abolished. In practice we find that the money-lenders add the interest of the whole year to the principal, charge fresh interest on the gross amount, but the banks recover interest for three or six months and in case of non-payment add the interest to the principal and on such gross amount charge fresh interest. As far as I know, the Imperial Bank convert the amount of interest into principal every three months and charge fresh interest thereon. In fact how much concession could be given to a debtor who does not pay or is not able to pay the ordinary interest from year to year. Let us assume a case of a debtor who has borrowed Rs. 500 for a period of one year at Re. 1 per cent per mensem for which a bond is executed. He does not pay anything for three years and the money-lender is compelled to sue him for recovery of his amount. Under the law advantage is taken to delay payment of the loan and to give time. The result is that it takes years to obtain a decree and to recover the amount. Let us assume another case of a debtor who borrows money on condition of repaying it after a year. But he does not repay it and the creditor has to sue him. In the meantime the debtor comes to the creditor, tells him how he failed to repay the amount and promises to pay it on a certain day. He also says that by going to court he would be liable to pay court-fees, etc., and dissuades the creditor from going to the court. In these circumstances the creditor is compelled to give more time to the debtor. But on the contrary if a suit were filed the debtor would have borrowed money from some other banker to pay the decretal amounts, including the principal, the interest, the cost of the suit and the interest thereon. In this way he would have been put to a greater loss.

(2) There is another class of money-lenders who do their business on loans taken from others. They do not keep any account books, but write on the bond itself whatever repayments are received or pass receipts for them. In case

SETH GORIKISHAN NATHANI.

of such bankers it is generally found that debtors say they have made repayments, but no receipt was issued. But when the dispute goes to court it is very difficult to prove these oral repayments and hardly one or two per cent of such pleadings are successful. In order to avoid such disputes and loss either to creditor or to debtor, all payments be written in a debt book by the creditor and the book be kept with the debtor. Banker would have no objection to it and he would be saved from the trouble of always supplying accounts, etc.

(3) Many people who are petty money-lenders belong to servants class and utilize their savings. Whatever they have is given out in loans for the sake of interest. In villages the system of money-lending by agriculturists who can save some money or grain from their cultivation to fellow-agriculturists on their personal surety or stamps is prevalent.

(4) People dealing in oral transactions when they are required to go to court have to experience great difficulty in obtaining decrees, their claims are generally dismissed.

In my opinion there is no institution in existence in India at present which can boast of meeting the requirement of the agriculturists. And if the system of licence is introduced, it will be difficult for any agriculturist to get either paddy or cash at the time of his need and their cultivation will suffer thereby. The object of enacting laws for the benefit of the agriculturists is laudable no doubt, but there is possibility of more risk than benefit. It should, therefore, be borne in mind that as long as arrangement to meet the full requirement of the agriculturists cannot be made any effort for licensing money-lenders and thereby ruining both money-lenders and agriculturists will be disastrous to the country in general. There can be no money-lender who would not wish that the rate of interest should be reduced. But as losses through defaults and as recoveries are difficult, hence the rates of interest are going higher. Even money-lenders have at times to obtain loans from others for which they are required to pay interest even up to 12 annas per cent. In these circumstances it is not possible for agriculturists to get loans at a cheap rate of interest. Supposing agriculturists' demands are fully satisfied by some other institution, in that case the money-lenders will give up their money-lending business and utilize their capital in business. The agriculturists have no other property except their occupancy holdings, agricultural cattle, buffaloes and houses. They have no right of any kind on their land. The bullocks and buffaloes are regarded to be agricultural cattle and cannot be attached or auctioned and many agriculturists in order to dupe money-lenders take shelter of the Insolvency Act and get themselves declared insolvent. For these reasons it is impossible for them to get loan at a cheaper rate of interest as long as their right on their land is not established and it is regarded to be their own absolute property. Raipur is a big district, the people of which push on their affairs by borrowing from people within a radius of 10 miles. But in the tahsils or cities where big money-lenders live, people themselves do not know the time when they would require money. The agriculturists are dependent on monsoon only and if the rains are not satisfactory they stand in need of money. These people at once run to petty money-lenders or village brethren who generally meet their demands. But if the system of licence is introduced then this would not be possible.

Part II.—Indigenous Banking.

QUESTION 1.—The indigenous bank lends money on interest to indigenous bankers when they need it. The money-lenders lend money to agriculturists and malguzars according to their own capacity and that of their debtors on mortgage of gold, silver or seed. They do business of hundis also, but of late owing to many legal difficulties, their business is diminishing. At the time of taking loans many debtors show their honesty and convince bankers of their faith, but afterwards, when suits are filed for recovery of the loans, the defence offered by them is that the transaction is not ancestral, while the property is ancestral. And in the joint Hindu family the son, in order to avoid payment of his father's debts, creates any amount of obstacles. In this way money-lenders are put to heavy losses. There is not timely recovery and years pass away in recovery through courts, there is loss of interest and sometimes of principal as well. It is for this reason that the bankers get no facility by reducing the rates of interest.

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QUESTION 4.—There are two kinds of hundis in vogue, viz., hundi at sight and hundi at date. Promissory notes are also in vogue. The samples of each are given below:—

Shree

Name of place.

Written at Raipur by _____

hundi for Rs. _____ in words _____

of which half Rs. _____ of which double Rs. _____

pay to _____

Date _____ pay at once the amount of the hundi

Dated _____ month _____ year.

Signature _____

QUESTION 6.—The agriculturists pay interest from Re. 1 to Re. 1-80 per month to big money-lenders. The petty money-lenders whose capital is very small give a very little amount of loan such as Rs. 15 or Rs. 20. They charge high rate of interest such as two or three pice per rupee.

QUESTION 7.—There is no prejudice against indigenous bankers. The debtors are sufficiently protected by law, but the bankers are not; such legal or other facilities should be extended to bankers as are enjoyed by the banks. At present the insolvency law operates great hardships on the sowkars. The insolvent debtors conceal their properties and by showing bogus debts of their relatives declare that they are indebted to a great extent. But actually there are no debts existing. They do not show their account books properly and in courts there is no proper investigation of their accounts, etc., for want of time. After a short period of time these people are freed from their debts, then they start business in names of others who are in their confidence and they keep them in the back ground. Generally speaking, this has become a kind of trade to such type of person who in their life-time go in liquidation three or four times purchasing property in the name of their wife or minor children. In my opinion the insolvent should be liable to repay his debts without interest up to 50 per cent within a period of 12 years.

QUESTION 8.—If concessions enjoyed by banks are extended to indigenous bankers, they would be more serviceable to the trade and business of the country with their capital.

QUESTION 9.—The reply to this question is rather difficult. Sometimes there is profit on the capital, sometimes there is loss. Some bankers loose their all, others make a fortune. Hence it is not possible to give an idea of net return to the bankers on their capital. In these days the Indian market is dependent on the European market and as a result thereof some people are at a loss, while others gain. The Indian markets cannot fix up their prices as the other countries do for want of proper facilities for which the political policy of the Government is responsible.

QUESTION 10.—In this country there are two classes of bankers, one class does its business according to capital available on their own credit and can meet all demands for accommodation. The other class extends its business on borrowed capital. Thus they find great difficulty in meeting demands and they have the risk of loss in business in spite of having the necessary capital.

QUESTION 12.—For some years after the Great War it was found that there are large sums of money in the hands of indigenous bankers, but that is not the case nowadays. These days whatever money there is it is with the banks. The chief reason is that people who happen to have any surplus money invest it in banks or post offices, rather than keep it in deposit with the indigenous bankers.

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Part III—Investment habit and attraction of capital.

QUESTION 1.—The existing banking resources are of three kinds—(1) their own capital, (2) money received in deposit, and (3) capital obtained from other bankers on loan.

QUESTION 3.—For the general public the existing facilities for investment are the respectable bankers, postal or other savings banks and the postal cash certificates.

The agriculturists lend money and grain to fellow-agriculturists with profit.

QUESTION 4.—In this connection it has already been stated that the cheque habit is growing in respect of foreign transactions. The use of vernacular scripts in banking would afford great facilities to the public.

QUESTION 5.—The result of opening new branches in recent years by Imperial Bank of India has, in the opinion of businessmen, not resulted in any benefit to them. The old facility of exchanging notes for cash and *vice versa* has disappeared nowadays. Notes cannot be cashed easily. The banks always avoid such exchanging owing to temptation of profit resulting from fluctuation in rates of hundis. Transfer telegrams are received from Bombay and Calcutta and merchants need cash for which they offer notes, but cannot get exchange for them in times of need.

SETH BALKISAN NATHANI, Banker and Merchant, Raipur.

Reply to the Questionnaire.

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

QUESTION 1.—Agriculturists obtain finance for expenses during cultivation or for capital and for permanent improvements mostly from indigenous bankers, rich agriculturists, malguzars, co-operative banks or from Government. When owing to failure of monsoon they require any amount they are required to go on a relief work opened by Government or to other places like Calcutta for earning their livelihood by means of labour. For ceremonial and other purposes they take loan mostly from indigenous bankers, the rate of interest of which varies from 12 annas to Re. 1-8-0 per cent per month. But at times for small amounts, say, Rs. 5 or Rs. 10, they are required to pay interest at 6 pies per rupee. An agriculturist is not usually advanced loan on mortgage of his land, for the land owned by him is usually of occupancy rights which cannot be mortgaged. Seed for kharif crop is usually advanced on *barhi* of 5 to 10 khatas per khandi, while seed for rabi crop is never advanced for less than one and half times *barhi*. Usually, there is an appreciable difference in the rates prevailing at the time the grain is advanced and at the time when the crop is cut. There is, therefore, no 25 per cent or 50 per cent profit. There is no defect in the present system.

QUESTION 2.—In our district agriculturists personally bring their produce to Raipur or to other marketing places or where there are big merchants. Or if they find it convenient, then they sell it to merchant who visits his village.

There are two kinds of hundis—(1) the mudati hundi (*i.e.*, payable on a due date) and (2) the darshani hundi (payable at sight). These are in vogue here and they are also sent outside.

QUESTION 3.—Price of land is different in different villages. It always depends on the richness of the soil and its capacity of outturn. The ordinary price varies from Rs. 15 to Rs. 50 per acre. At some places it is Rs. 80 to Rs. 100. Price of land varies if auctioned by Government for non-payment of land revenue or a decree of a civil suit. If purchased by means of private negotiations there is no variation in the price of land. If the purchasers are many, the land fetches a high value, but if they are few, it fetches low value.

QUESTION 4.—There are legal restrictions for mortgage of occupancy and malguzari land. An occupancy tenant cannot mortgage his land and a malguzar cannot mortgage his sir land without the permission of the Deputy Commissioner. In my opinion record of rights should be so prepared that it should contain owner's full rights.

QUESTION 6.—There are many other industries which an agriculturist can take up besides those given in this question and they are cloth-making, newar-making, rope-making, *bidi patrawal*, *drone* (circular flat dish made of leaves and cups and saucers made of leaves stitched by bamboo pins), oil, ploughs, carting, *i.e.*, to cart the produce of villages and sell it in towns, blanket-making, bricks and tiles, etc. The amount required for such industries should be advanced to cultivators at low rates of interest and it is very necessary that arrangements be made for this. There are some sowkars who advance loans for these purposes, but an agriculturist does not get enough amount required by him for his work. For these and for preparing gur, sugar, etc., or for cleaning rice and for purchase of machinery money is required. But the agriculturists cannot undertake such business. Only those that have some property go in for such a business and the indigenous banker advances loan on mortgage of their property at the rate of interest usually 1 per cent. Even then he has no sufficient capital to meet the demand of the whole district.

QUESTION 7.—In reply to this question, we can only say this much that growth of co-operative banks has not been to such an extent so as to meet the demands of the district. In respect of income-tax the bankers are not required to pay super-taxes. The merchants should also not be required to pay super-tax.

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In my opinion no income-tax should be taken from one who has sustained any loss in his business so long as he has not recouped that loss. Public has received some help from banks.

Punjab Money-lenders' Act.

As no copies of this Act are available it is not possible to adequately express any opinion thereon, but the following, however, deserve some consideration:—

There are two kinds of indigenous banking—(1) those who deal in banking and keep account books in which daily transactions are entered. Their banking is such that there can be no doubt about it. Every amount received is entered in their account books. They make accounts every year and, as far as possible, they obtain signatures of their clients on their accounts in Divali and explain accounts to them. But the debtors who take loan on hand notes do not sign every year on account books. Whatever amount they pay in repayment it is entered in their hand note or a separate receipt is given. When the account is to be settled or when the loan is to be renewed, they close their account. Many of such debtors are literate; but those who are illiterate bring a literate person with them and get their accounts explained to them. These bankers give copies of their account books whenever their clients ask them. They have no objection in furnishing copies of the extracts from their account books. If for such bankers there is registration or licence and if they find that they are put to unnecessary trouble (because of the licence) they will not like to transact business at a loss.

Such bankers are usually in big villages and towns. There may be one in a small village who would be able to advance big amount, but that is an exception. The rate of interest is 12 annas to Re. 1-4-0 per cent according to a client. On big amounts the rate of interest is less.

Instead of asking always for account it is better if a debtor keeps a book in which is entered the amount of loan and the entries are made by the banker in respect of all repayments. The banker has no objection to do it. This practice is in vogue in some places here. The debtor personally takes the amount of repayment, remits it and takes an entry of it in his book and makes an entry in the account books of the banker in his own handwriting. At the time of closing the account necessary entries are also made.

The other question is about compound interest. It is said that this should be stopped. It is noticed that indigenous banker includes the amount of interest after twelve months in the amount of principal and charges interest on the whole amount. But the co-operative bank recovers the interest every three and six months, and if interest is not paid, it is included in the principal and interest is charged on the whole amount. So far as I know, the Imperial Bank also includes the amount of interest in the principal and charges interest on the total amount. Why should any concession be shown towards a client if he is unable to pay the interest every year. Suppose a client takes a loan of Ra. 500 for one year at 1 per cent per month on a stamp, if he did not pay anything for three years the banker is required to file a suit against him. But if a law is enacted that no compound interest be charged what gain there would be to the banker. The debtor usually with intention that he may be able to pay back the amount as late as possible takes shelter of law and a pleader. It is in some years that a decree is obtained. These clients should therefore know that no one would advance loan on a low rate of interest. Again suppose a client has taken a loan for one year and has not repaid it, it is said that a suit should be filed. But the debtor comes and tells his excuses and says that within six months or a year he would repay the amount in such and such a way, and that if a suit were filed he would unnecessarily be burdened with court-fee and pleader's fees. Under such circumstances banker has to give time and if he were to file a suit the client obtains a loan from another banker to pay up the decretal amount. Again he suffers loss for he has to pay interest on the principal, interest and expenses of the court put together.

(2) There are other banks who do business on stamp, but do not maintain any account books. Whatever remittances are received are entered in the loan stamps or receipts are given. It is usually noticed that debtors say that they have paid and that they have not been given a receipt. But when the

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case goes to the court, it is often difficult to prove the payment. Possibly one or two per cent are able to prove it. In order that there should be no such trouble and that a banker and a debtor may not be put to unnecessary loss there should be an account book with a debtor in which all amounts which are borrowed and which are repaid should be entered by the banker. The banker cannot take any objection to this as he is also saved from trouble of giving accounts every time.

QUESTION 3.—There are also others who do money-lending in small sums. They are those who save some amount in their service or in some other way, and with intention of earning interest they advance it. There are also some cultivators who have saved some amount in their cultivation; they advance it on a stamp or otherwise to other cultivators of their status. If licence were introduced, such persons would not be able to do any business. Clients who want small amount do not get it from big bankers and they also do not like to advance and as such the cultivators would suffer.

QUESTION 4.—Those who do money-lending verbally have much difficulty in obtaining a decree through a court. Usually their suit is dismissed. In my opinion there is at present no such institution which is able to meet all needs of agriculturists. If licence were introduced, no agriculturist would be able to obtain grain or loan at proper time and he would thus suffer. It is good that such a law is contemplated with intention to improve the condition of agriculturist; but it is very likely that it would do them more harm than good. As long as arrangement is not made for the amount that is required by agriculturists till then introduction of licence would be detrimental both to bankers as well as cultivators. Presumably there is no banker who does not wish that rate of interest should be lowered, but he has to increase the rate because of the fear of loss of his amount advanced and the irregular repayment. The banker has also at times to take loan from other bankers. The co-operative bank rate also goes up to 12 annas per cent. Under such circumstances it is not possible for agriculturists to get loan at low rate of interest. If it is supposed that an institution has been established which is able to meet all demands of agriculturists, the bankers would give up their banking business and take to other professions. An agriculturist has no other property except his occupancy land cattle and house. He has no right on his occupancy land and oxen, etc., being animals required for agriculture are not attachable or auctionable. In the event of crop failure many agriculturists in order to escape payment of bankers' debts take shelter under law court and declare themselves insolvents. It is not therefore possible for them to obtain loan at cheap rate of interest. So long as cultivator does not get right on his field he will not be supposed to be its owner. Raipur is a big district. An agriculturist usually goes to a banker who lives within 10 to 20 miles. He cannot go to cities or tahsils. He also does not know the time when he would require loan. It all depends on one rainfall and the necessity of loan depends whether it has been a good or a bad shower. An agriculturist then runs to bankers who are near his village. If taccavi were introduced agriculturists will not be able to carry on their work.

Part II.—Indigenous Banking.

When an indigenous banker requires any amount indigenous bank advances him. The banker advances loan on pledge of gold, silver, grain and seed to agriculturists and malguzars according to their status. They also advance loans without mortgage. They also deal in hundis; but this business is growing slack owing to many legal difficulties. When a client takes a loan he is very sincere, but when a suit is brought against him he brings many obstacles such as the property is ancestral, it is a joint property and in the Hindu joint family the son usually raises many objections in repayment of the loan. The bankers are therefore put to unnecessary losses. They do not get their amount back in time, so much so that years pass in recovering the amount through court. They also sustain loss in interest and sometimes even the principal is not recovered. This is the only reason why a banker does not and cannot lower the rate of interest.

QUESTION 4.—The hundis are—(i) *darshani* (at sight) and (ii) *mudati* (on due date). Promissory note is also taken.

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The form of the hundi is as follows:—

Dear Mr. _____ greetings written from Raipur _____
 request (is) that the aforesaid hundi _____ Rupees _____
 half amount _____ its double _____ be given.
 _____ Date _____

QUESTION 6.—An agriculturist pays Re. 1 to Re. 1-8-0 as interest. Small money-lenders charge on small amounts a rate of 6 pies per rupee per month.

QUESTION 7.—There is no prejudice against the indigenous banker. The debtor is protected by law while the banker is not. The facilities which bankers enjoy should also be afforded to an indigenous banker. The insolvency declarations are also very detrimental to bankers. Insolvents hide their property and they give out falsely that they have to pay so much debt to so and so (who are their relatives). If proper investigation be made, it will be seen that they have no doubt and do not give full account of their loss. The court has also no time to investigate into the matter and after sometime the insolvent is free from paying his debts. He then, under the name of another person (who is his well-wisher) transacts business. This becomes a habit with them. They having been declared insolvent three or four times make their property in the name of their wife and minor children. In my opinion one who has been insolvent should be required to pay half of his debt within 12 years without interest.

QUESTION 8.—If facilities which the banks enjoy are also afforded to indigenous bankers, they can very well help the industries of the country.

QUESTION 9.—It is very difficult to say as to what the gain or loss is. Many bankers suffer heavy loss, while many make good profits. It is thus difficult to give any idea about it for in India the market price always depends on the foreign exchange and on the market value in America and other countries. India has neither power nor facility to fix the price of its market. This is all due to Government's policy in this respect.

QUESTION 10.—There are two kinds of businessmen in this country—(i) those who do business looking to their capital and status and meet their demands in time, and (ii) those who increase their business beyond their capacity and on the borrowed capital. It goes very difficult for such persons to meet demands on them, and when they are unable to do it their business comes to an end. In spite of capital which such traders have got they have to suffer heavy loss.

QUESTION 12.—It was noticed that after the Great War some amount was remaining idle for some years with people, but no such amount remains idle now. Whatever money there is it is all with banks and the main reason is that savings of people are now deposited with banks or post offices instead of indigenous bankers.

Part III.—Investment habit and attraction of capital.

QUESTION 1.—There are three sources for traders to do their business—(i) own capital, (ii) the deposits and (iii) the loans taken from bankers or banks.

QUESTION 3.—Ordinarily, it seems that there is only one way of increasing the savings of people, and it is to deposit them with good bankers, post offices or other savings banks, or to purchase postal cash certificates.

The agriculturists also lend money or grain about which mention has already been made.

QUESTION 4.—Cheque habit is already much in vogue in cities. If vernacular script is introduced in banking, it would be much advantageous to the public.

QUESTION 5.—Merchants think that no advantage is gained by opening new branches of the Imperial Bank. In the treasury they used to get rupees for currency notes or notes for rupees and it was a great facility to businessmen. They have no such facility now. If a note is presented in the bank, it does not give amount in rupees as the trader requires.

Rate of hundis is always fluctuating, hence in order to get benefit therefrom it always avoids to issue cash. Telegraphic transfers are also received from Bombay or Calcutta. Merchants require money and it gives notes and they are not changed when required. It also does not issue rupees for change.

SETH BALKISAN NATHANI.

MR. W.B. LAKHE, B.A., LL.B., Pleader and Honorary Secretary,
Co-operative Central Bank, Limited, Raipur.

Reply to the Questionnaire.

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

QUESTION 1.—(1) Before replying to various questions contained in this connection, I would like to consider the question of agriculture in general with respect to different extent of holdings and various kinds of crops raised therein. I would like to refer this committee to the forecast of the present settlement in Raipur district in which the areas under cultivation of tenants and *malguzars* are given, areas under cultivation for different kinds of grains and areas under cultivation of different kinds of tenants are given for different groups, tahsils and for the whole district. It would be futile for me to go over the same in this reply of mine. As rice is the staple food in this district, I would like to deal exhaustively with respect to this crop. In my opinion holdings below 5 acres do not count for a substantial holding in Raipur and do not deserve consideration, as a tenant holding land below 5 acres is neither a cultivator in the full sense, nor a labourer. He is both a labourer and a cultivator. He cultivates his land and tries to get land from others either on *Regh* or *Adhja* or *Tibati* system. *Regh* means taking land on sub-lease. *Adhja* system means giving up to half the produce to the owner on condition that the owner provides seed, pays the rent. Water rate, if any, is paid out of the produce after deduction of seed grain which goes to the owner and after this the whole produce is divided half and half. All other cost is paid by the man who takes the land on *Adhja*. *Tibati* system means the owner pays rent and all other expenses are paid by the man who takes the land and one-third produce is taken by the owner and two-thirds by the producer.

If a tenant who owns land 5 acres or less cannot get land on any of these systems, he does his cultivation and performs all the operations himself and works as labourer during the time he is free from his agricultural occupation.

I will consider the case of a tenant who owns 10 acres of land. I will class this tenant into 2 classes, one average tenant and the other good tenant. Average tenant shall be deemed to mean an ordinary tenant who has not taken care or who has not improved his land. By good tenant I shall be deemed to mean a tenant who has specially improved the land at considerable cost and uses sufficient manure to ensure good crops.

I shall use the word *katha* which is the standard *katha* in Raipur. Standard *katha* is one which has a capacity of 500 tolas distilled water at 80 degrees Fahrenheit and containing 400 tolas of wheat. There is another *katha* in use which has a capacity of 4 seers and a half. There is a *chaltu katha* which is three-fourths of $4\frac{1}{2}$ seers *katha*. In villages generally *chaltu katha* is used for dhan cultivation, but somewhere $4\frac{1}{2}$ seers *katha* is also used. This *katha* is now being replaced by standard *katha*. For unhari generally $4\frac{1}{2}$ seers *katha* is used, subject to the condition of its being gradually replaced by standard *katha*.

Average tenant holding 10 acres of land.—These I shall class in two kinds, one who does all the agricultural operations himself with the members of his family and engaging labourers when they are required for weeding and other purposes.

Expenses.

$7\frac{1}{2}$ to 8 khandis for seed, say, 8 khandis.

8 khandis for weeding.

2 khandis for harvesting.

10 *kathas* for blacksmith.

5 *kathas* for kotwar.

8 *kathas* for barbar.

5 *kathas* for grazier.

1 khandi for Baiga, Nahna, jota, etc.

19-8, say, 20 khandis.

HONORARY SECRETARY, CO-OPERATIVE CENTRAL BANK, RAIPUR.

His average produce is about 7 to 8 times, but I shall take 8 times for purposes of calculation.

Produce would be 64 khandis	} 44 khandis.
Deduct expenses 20 khandis	

Deduct expenses of fooding, etc., average 4 persons, including his wife, children, etc. ... 36 khandis

Rent Rs. 10 _____ 2½ khandis.

5½ khandis balance

Taking into consideration the expenses of cattle, clothing, marriage, death of cattle, taking loans in dhan or cash and paying *badhi* or interest, one can easily find out that an average tenant possessing 10 acres of land cannot earn sufficiently and has to incur debts which he cannot pay, his debts will go on increasing if there is even partial failure of crops.

Now take the case of a tenant who has to engage a *sounjia* or field labourer. In this case one-fourth of the produce is paid to *sounjia* as his share of labour. Besides the *sounjia* is given a blanket free and is given advance in cash from Rs. 20 to Rs. 30 when he is engaged.

I have not taken into account cost of feeding cattle as I have not taken into consideration atera crop which I have set off against the feeding of animals and for fooding of the family.

Good tenant possessing 10 acres of land.—A good tenant who has got improved land and good cultivation cannot do without a *sounjia*; taking average condition his produce would be 80 khandis or a little more, but I shall take 90 khandis as average produce.

Cost would be Rs. 24 khandis instead of 20 as stated before.

3 khandis.

36 khandis for fooding.

20 khandis for share of *sounjia*'s labour which is one-fourth of the produce.

Total ... 83

He has to his credit about 7 khandis out of which he has to meet the cost of bullocks, replacing them when they die on account of epidemics, marriage expenses, cost of repairs to his houses, *badhi* or interest on grain or cash borrowed for cultivation purposes. This I hope will give rough idea, showing that a tenant always lives on indebtedness and most of his earning has to go towards repayment of his debts and very little margin is left for him. This is the reason why we find that tenant in Chhattisgarh is hardly free from debt and as his earning is not sufficient to meet his expenses, his debts go on increasing. He has to supplement his income by working as labourer during his spare time or to earn extra income by subsidiary occupation. I have not taken into consideration one fact. It is this that all the 10 acres holding is not *siyasi* crop, *rabi* crop is also sown in a part of it according as *kanhar* and other soil fit for *rabi* crop is included in the holding, but the produce of wheat on average does not exceed 3 or 4 times the seed.

I do admit that this sort of cultivation is not desirable and there is much room for improvement. If proper improvement is made, and land is properly manured, a holding of 10 acres and even 5 acres ought to be able to provide the family of the tenant with all the necessities of life and a tenant may be able to save something, but then there are many a *baits* and *ifs*.

First he must be free from debts, get sufficient money for improvement on low rate of interest, get money and grain for agricultural purposes on low rate of interest for this intensive propaganda and work is necessary for rural uplift. This question is on the forefront and wrestles with many a difficulties which have to be tackled with.

HONORARY SECRETARY, CO-OPERATIVE CENTRAL BANK, RAIPUR.

QUESTION 1.—The agriculturist in this district particularly and in the province generally gets money from the following sources:—

(a) *For expenses during cultivation.*—Cultivators in general preserve seed for cultivation. They do not borrow generally for dhan seed. A small percentage borrow for seed. They either borrow from co-operative banks if they are members of societies or borrow by taccavi system from Government or from local money-lenders or borrow seed grain on *badhi* system from *sowkars*, *malguzars* or tenants.

(b) *For capital and permanent improvements.*—Agriculturists borrow from co-operative banks if they are members of societies or from Government either as taccavi loans or under Land Improvement Loans Act or the Agriculturists' Loans Act or from local money-lenders. Few *malguzars* borrow from banks also. I do not understand what is meant for capital, if it means for purchase of land the sources are the same as aforesaid.

(c) *For other special needs.*—Agriculturists borrow for these needs either from co-operative banks as stated before or from local money-lenders or *malguzars* or agriculturists who lend out of their savings.

Rates of interest.—In respect of rates of interest, they vary from 12 annas per cent per month to two rupees in case of ordinary farmers and *malguzars*. In case of petty tenants rate of interest varies from one pice per rupee to one anna per rupee per month for petty loans.

When grain is borrowed, *badhi* is charged at the rate of 5 to 10 *kathas* per 20 *kathas* or *khandi* as it is called. These debts are borrowed during rainy season and are repayable after crops are harvested and thrashed and are ready for sale. At times standing crops are pledged for loans, but such cases are few.

Agricultural finance.—As far as I am aware, Government advances money to agriculturists under Land Improvement Loans Act and Agriculturists' Loans Act. The amount advanced by Government is very insufficient comparing with the needs of agriculturists.

Imperial Bank of India, joint stock banks and indigenous banks lend money to merchants and others on the security of goods which is placed in their possession.

As regards co-operative banks, they advance money to such agriculturists as are members of co-operative societies, but as there are no transferable lands and no security of property, the co-operative banks cannot advance all the money necessary in many cases for fear of loss and enforcement of joint liabilities which would ruin other members of the society.

Indigenous money-lenders also advance loans to agriculturists either with or without security as the case may be.

Estimate of capital required.—I do not know in what sense the word capital is used. I would exclude the money required for purchase of land in this reply. It is very difficult well nigh impossible to give estimate as is required. I have given some statements for the Raipur Co-operative Central Bank, showing details of assets and liabilities of the societies under this bank. It is said that about 80 per cent of the tenants are free from debts. I cannot vouchsafe for the accuracy of the figures given by the Settlement Department. This department, i.e., Co-operative Department, makes at least 3 enquiries through different persons before a society is registered, besides audit department also makes enquiries and the bank staff also makes enquiries after registration and still we find cases in which indebtedness is concealed and cases have come to light of debt concealment at the time of formation of societies. The Co-operative Department rejects and does not give admission to agriculturists who are heavily indebted and who cannot clear off their indebtedness even if monetary help is given by the department.

Total area held by tenants of the Raipur district is 1,114,504 and by *malguzars* 412,025 acres according to the figures for 1924-25 in the forecast report of Raipur *khalsa* of the present settlement. An idea of the indebtedness of the tenants can be formed from the figures I have given for Raipur and Bilaspur Co-operative Central Bank.

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In fact approximate figures could be obtained by making complete investigation in some villages in each tahsil about each and every tenant and malguzars and then average for the district and province can be ascertained.

Grain advances.—There is no information available to find out grain advances in this district or province.

Defect of the present system.—There are many a defect in the present system of agricultural finance. It is a makeshift to meet the requirements. Financing by Imperial Bank, joint stock companies and co-operative societies are made for persons who can get advantage of them. Indigenous bankers advance money to those whom they can with safety.

It is only a makeshift, does not help to improve the economic condition of the agricultural classes.

It is necessary to demarcate various requirements and adjust loans into long-term and short-term; loans according to requirements, pool the resources of the nation and improve the present system. It is absolutely necessary to relieve the indebtedness and find out ways and means for this purpose and make money available at cheap rate of interest for raising better crops, providing improved and superior seed, proper manure and arranging to give the highest value of crops to the cultivators. Middleman should as far as possible be exterminated, so that he may take to other professions and productive ones.

There is no co-ordination amongst the various credit agencies, including the Government. It is absolutely necessary that steps be devised to make all such institutions effective for the improvement of internal and external trade and raising the standard of agriculture. Joint stock banks are complaining that they cannot stand in competition with the Imperial Bank of India which has got special facilities from Government, while Imperial Bank shareholders also complain that they have to spend more money in shape of higher wages and have to keep certain reserves.

All these agencies should be so reorganized as to suit the present conditions and to improve the internal and external trade and give special facilities to the agriculturists.

QUESTION 2.—Marketing of principal crops in the district.—In this district there are ganjs in many places, as for instance Raipur, Bhatapara, Dhamtari and other places. There are other places like Tilda, Baloda Basar, Arang, where large quantities are sold and purchased.

Generally, majority of the produce of the district is brought either to the ganj or to such trading centres. Where there is no ganj, the system of marketing is not efficient and there is much room for improvement.

Some ganja are better managed than the others and the producer gets good value in better managed ganj. I shall give one instance of Raipur ganj.

Instance of Raipur ganj.—Agriculturists, petty traders and other middlemen bring their goods to the ganj. This ganj is controlled by Municipal Committee, Raipur. Rules and regulations are made for controlling the brokers and the measures and hamala. There is an enclosure and three tinned roof barracks. The whole of the land in the enclosure is paved to save the produce from being mixed with dust of the soil. Goods are exposed by the sellers and brokers then settle prices which are recorded in ganj registers and then suda is completed. Goods are measured and prices paid within the fixed time. Complaints are attended to by the members of the committee who are in charge of the ganj. Such of the traders who can afford to wait for better prices do not sell their goods when prices have fallen, but agriculturists who bring their goods cannot afford to wait and have to sell their produce at the current rates. I do not think there is such a rise and fall in prices that it would be convenient for the agriculturists to wait for a few days to get better prices. The stock brought to make any appreciable difference, if they wait for a few days. In cases where an agriculturist has large stock of grain, the only question of help necessary comes for advancing on the security of produce to wait for better prices, but agriculturists should be educated and great deal of propaganda will have to be made before he consents to pledge and agrees to do so. If, for instance, price has fallen a little and the agriculturist waits for better price, he will have to keep his grain somewhere and pay rent or take it back and bring the same for sale.

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the cost would be considerable and it would not be worthwhile to wait for a little extra money and come again from such a great distance. All these considerations weigh very much for individual agriculturists to sell their stock even if prices fall, unless special arrangements are made to keep grain and create confidence in agriculturists, he will not be able and will not be willing to keep his grain in such places.

Forming pools and of co-operative effort in marketing produce.—Circumstances vary in different tracts. Taking the case of Chhattisgarh, the activities of the co-operative organization are solely confined to credit societies for the present. There are hardly industrial societies worth the name. There are no purchase and sale societies. No co-operative societies for agricultural produce. Besides the difference in rates is not so great and I do not think time has come for pooling the produce on behalf of agriculturists. The cost of buildings and management would increase and I do not think it is time at this stage for concentrating our efforts for pooling the grain stock. There are hardly any industries or co-operative sale societies also. The question of pooling has, in my opinion, come into prominence in cotton-producing tracts as the prices of cotton vary largely.

Credit facilities and part played by different banks and merchants.—After the crops are cut, thrashed and made ready for sale, the only question arises when the agriculturist should sell his crops. The only answer is when he should wait till he can get best prices for his crops and he should have facilities to sell where he will get best prices. I have already stated before that the only markets available for individual agriculturist is to sell his crops at centres where there are ganja. Local merchants purchase the produce and sell it to outside firms or export them to other parts of the provinces. Can efforts be made to save this profit to the agriculturists? This can only be done if there are big co-operative concerns which can purchase all the stock and export or sell to his consumers such as mills, etc., and exporters making it a rule to divide profits to these cultivators who should be made members of such institutions.

Efforts in this direction are desirable there are foreign firms which purchase such stock in ganj and export. Local traders also purchase stock and borrow from Imperial Bank of India and joint stock banks on the pledge of these stocks and sell them when better prices are available and when there is a demand from outside provinces. Traders from other provinces also purchase during ganj season when local traders work as adatyas and make profit by way of adat.

Internal remittance.—Remittance transfer receipts and hundis are the only means at present for internal remittance. This facility is available where there are treasuries, banks and merchants. These facilities are not available in the rural areas where cash has to be sent for trade purposes. It is very difficult to suggest how to meet this want. The only feasible means seems to be to open sub-treasuries or branches of joint stock companies or banks in the interior of the districts.

I have no experience what use bills are made of in this part of the province. It is only at big centres that they are used.

Hundis.—There are two classes of hundis, one payable at sight and the other payable after defined period, say, 31 days, 61 days and so on. Sample is attached herewith. The form is the same but when it is payable after fixed period, this fact is stated in the contents instead of payable at sight. Hundis drawn from here are discounted in the province or outside according to the circumstances of each case. They are held by merchants, middlemen, commission agents or any person. I believe in very exceptional cases money is raised on the strength of railway receipts in this part of the country.

QUESTION 3.—*Value of land.*—In this district holdings are scattered over throughout the villages and are not consolidated. One holding contains all sorts of lands yielding various crops. The principal crop being rice in this district, the fields are very small. The lowest value of land per acre of tenancy land is Rs. 15 per acre. It generally varies from Rs. 50 to Rs. 200 per acre according to the nature and situation of the soil. When villages are sold the value per acre of small villages is higher than the value per acre of large villages. It is an admitted fact that large villages are sold and fetch very low ridiculous prices as there are no purchasers for them except the sowkara.

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These villages being generally under mortgage, the creditors get them very cheap. It has been also observed that for small villages there is a demand and they fetch good value. General value per acre cannot be given, but it varies from Rs. 5 to Rs. 20 or Rs. 30 even in good villages. Thus it will be seen that tenancy lands fetch better value than villages, but in case of tenancy lands there is another trouble, malguzars demand nazrana for permitting such transfer. Reasonable malguzars charge less, but others charge from 20 to 50 per cent of the sale money as nazrana. The evils of the present system are that neither the malguzar can get proper value of the villages in cases where sanction to transfer cultivating rights is not obtained and the tenants cannot get value as the holdings are not transferable and they have to give moiety of the amount for getting such transfers confirmed. Then there is also a provision that under section 13 of the Tenancy Act the heirs of the transferring tenant can apply to be placed in possession. The result is that in most cases the transferring tenant sets up his heirs and defrauds the purchasers. All such impediments came in the way and the best and highest value of the land is never obtained.

The value of land obtained by private negotiation is always better and higher than that obtained by court sale. At times it so happens that when there is competition, court sale brings more value than the private sale. If revenue or for any cause, the land or village fetches good value in case there is no collusion between the bidders and there is real competition. This is in fact a general observation as is found in general practice. No facts and figures can be given as such enquiry is not possible to be made by me.

QUESTION 4.—Legal impediments to mortgage of land and agricultural holdings.—There are legal impediments to mortgage of land and agricultural holdings in Central Provinces:—

(i) Malguzar cannot mortgage his village with *sir* lands without the written permission of the Deputy Commissioner, section 50, Tenancy Act. The result is that a malguzar cannot get maximum amount on mortgage. Sanction is generally given, but in case of pure agriculturist it is at times refused.

(ii) Absolute-occupancy tenant has been given right to mortgage his holding under section 6 (1) (b) of the Tenancy Act. In this case there is no impediment to mortgage.

(iii) Occupancy tenants are not entitled to mortgage their holdings under section 12, Tenancy Act, but sub-section (3) gives him power to do so for payment of Government loans advanced for improvement of land under Land-Improvement Loans Act or Agriculturists' Loans Act.

Opinion is divided whether such mortgages should be allowed or not. Those who are in favour of such transfer are of opinion that agriculturists should be permitted to get full advantage of their holdings to raise money on the security of their land to enable them to raise sufficient money to pay off their debts and consolidate such debts to raise money for purposes subservient to agriculture. Their contention is that it is useless to try to protect an agriculturist who has got over head and ears in debt and cannot be saved, but such an impediment creates many difficulties in case of agriculturists who want money for carrying on agricultural operations. The contention of the other side is that the present tenantry is very heavily indebted and if such rights are given, they will lose hold on land which will pass on to creditors and non-agriculturists. It appears reasonable to allow tenants to mortgage their land to raise money for agricultural purposes.

Mortgage banks.—To my knowledge there are no banks in this province for the provision of long-term credit. Private money-lending firms do advance money to agriculturists on long-term loans, but only to such as have got transferable lands. Co-operative banks do advance on long-term loans, but they do not advance large amounts and they cannot afford to lock up their capital in long-term loans, and if they do so, they would not be able to meet the current needs for agriculture.

In my opinion co-operative land mortgage banks should be established in all the districts in the province with branches, if possible, in all the tahsils. The capital of the mortgage banks should be made up of deposits, funds from central or other co-operative institutions and loans from Government and

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debenture bonds. Government should, in my opinion guarantee for the present for interest. In such case there is no danger of any loss to Government if land mortgage banks are properly and efficiently managed and audited.

Trustee securities.—I see no danger in including debentures issued by land mortgage banks in such trustee securities.

Terms on which agriculture mortgage banks should raise money.—As stated above, money should be raised for such banks:—

(a) On deposits—long-term.

(b) From other co-operative institutions and other banks on the pledge of their securities.

(c) On debentures for which security should be provided on the loans advanced to debtors on mortgaged securities.

If the business is carried on sound lines, no Government guarantee is necessary, the only facility necessary is that Government should give an assurance to advance money to land mortgage bank when necessity may arise for such help. Government has not given any guarantee for the co-operative banks in the province, but still confidence has now been created in this movement which has got large amount of deposits which it has not been able to advance.

Terms on which agricultural mortgage banks should advance money.—In doing so it will be necessary to make exhaustive enquiry in case of each borrower and only such persons should be advanced money when there is hope of saving such agriculturists. It is no use advancing to agriculturists who cannot save the whole or a part of their property. The money should be advanced on mortgage and instalments should be fixed after careful enquiry about the legitimate savings. Rate of interest should be reduced to as much minimum as is possible, due regard having been made for expenses of the bank and the rates of interest which it shall have to pay. The same amount of kist throughout would be preferable.

Measures for the improvement of record of rights, simplification for the process of foreclosure, etc.—(a) The present system of maintaining the record of rights should be improved. Settlement records show the right in which property is held. Enquiry should be made at the settlement and subsequently the land record staff and encumbrances should be noted in the record of rights. Law would require change in this respect.

(b) For simplification of process for foreclosure and sale by mortgage banks, the present law will have to be amended and provision should be made to enable the Registrar, Co-operative Societies, to give an award which should be final and it should be executed in civil courts as if it was a decree of that court.

(c) The inspection fee is so small that I do not think it is worth while to claim privilege in this respect. Great difficulties are experienced in finding out encumbrances on the property on which loans can be advanced by mortgage banks. If properties are situated in different districts it is well nigh impossible to find out entire indebtedness on mortgage and there is danger as mortgagor fraudulently conceals previous incumbrances. It is, therefore, necessary that such information be available. It can only be available if it is made incumbent on the mortgagor and mortgagee to give information of such mortgage to land record staff in which the property is situated, failure to do so ought to be penalized by such defaulter by losing priority over mortgage banks. If properly situated in any district is mortgaged in any other district, this fact should be noted in the Register which would be available to the public and also in District office jamabandi record or record of rights.

Agricultural mortgage banks.—These banks should raise money on—

- (1) Deposits.
- (2) Debenture bonds.
- (3) On loans from Government.
- (4) On loans from other banks.

In the beginning it will be necessary for Government to give guarantee to attract deposits and debentures for such banks. 2 per cent should cover the expenses and a little margin should be left for reserve fund. An average rate of interest should not exceed 7 or 8 per cent for the present. It ought to be gradually reduced.

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Adequate provision.—This can only be possible in case where lands are transferable. It appears that when long-term loan is given, it can be realized if convenient kists are given. There are only two methods of fixing instalments. Calculate interest for the whole period and add it to the principal and divide it into equal kists or fix kists and interest should be paid on whole amount due up to the date of payment. It appears to me that the first method would be more convenient.

QUESTION 5.—*Estimate of existing indebtedness of agricultural classes.*—Intensive enquiry in some villages in each tahsil is necessary for finding out indebtedness of the tenants and then taking average acreage under cultivation in the district approximately correct indebtedness of the tenants in the district can be found out. Another enquiry will have to be made of the indebtedness of the malguzars also.

I have given estimate of the indebtedness of the societies to the Co-operative Central Bank and outside which is attached herewith.

(a) It is not possible to give information of the debts on mortgage. This information can only be obtained from Registration office in each district of the province.

(b) It is not possible to get this information.

(c) This information can be obtained partly from Registration Department in each district. Many such transactions are not registered and it is difficult to get such information.

Purposes for which debt is incurred.—I have prepared a statement for the five years for money advanced by Co-operative Central Banks in Chhattisgarh to societies and purpose for which it was advanced is added to this question.

I have not made enquiries about debts due to Government and other institutions or professional money-lenders and it is not possible for me to give such an estimate.

As no enquiry has been made, it is not possible to give to what extent the indebtedness is due by compound interest, but having experience of court work as a pleader, I have seen many a cases in which petty sums have been borrowed, but the debt has become too heavy on account of interest as the debtors never cared to pay interest and go on renewing bonds after bonds for capital and interest and in the end lost all their property.

Causes of indebtedness.—Besides the non-payment of interest there are many causes of indebtedness:—

- (1) Failure of crops.
- (2) Deaths of agricultural cattle on account of epidemics.
- (3) Extravagance in marriages, and caste feasts given on account of various ceremonies connected with births and deaths in the families.
- (4) Produce of land being insufficient to meet all the expenses of cultivation and other requirements of the tenants.
- (5) Borrowing at high rates of interest on money and grain.

Rates of interest and methods used for calculating it and enforcing payment.—Rates of interest charged to malguzars varies from 12 annas per cent per month to Rs. 2 per cent per month on monies advanced according to the circumstances, capacity of payment and urgency of the borrower. Ordinarily, a malguzar who has good assets and good credit gets money from 12 annas to Re. 1 per cent per month, provided he is regular in repayment of his debts.

Average tenant gets money from Re. 1 to Rs. 2 per cent per month interest, but petty tenants have to pay half anna to one anna per rupee per month for petty sums which he borrows. Compound interest is invariably charged. Most of the money-lenders try to recover their debts as soon as the crops are ready. Either they personally go on spot or send their men and purchase the produce at favourable rates to themselves which causes great loss to the cultivators.

Farmers being turned into tenants-at-will.—In case of transferable holdings, most of the efficient farmers do loose their holdings on account of old debts and then carry out their living by working as tenants-at-will or taking leases on large rents.

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In case of non-transferable holdings, this is not generally the case, but as the debts are heavy, their crops are attached and sold and in most cases tenants have to incur more debts for rearing up their crops, result is that cultivation deteriorates for want of money for manure, and improvement of land and getting sufficient money to incur necessary expenses of cultivation.

General condition of tenants is bad owing to their being heavily indebtedness and high rates of interest. When a tenant finds it very difficult to make out a good living, all he thinks of is how to keep his body and soul together and how to maintain his family and life has no charm for him and all incentive to produce more and better farming is gone.

Irrigated tracts.—In this district, irrigation scheme was started as a productive scheme and general opinion is that money has been wasted. It has now been admitted that the scheme is failure as a productive scheme and it can be treated only as a protective scheme.

It is a general belief that tenants have to pay more for irrigation dues and the profit is not so much as is represented. Many a tenant have suffered, their cattle have been attached and sold for recovery of irrigation dues. Water cannot be supplied to meet all the wants of agriculturists when needed. If there is scarcity of water at *biasi* time Irrigation Department cannot supply water. It cannot supply water for *unhari* crops. Many a year tenants do not want irrigation and they feel the payment of irrigation dues as penalty.

Certainly irrigation is a blessing in famine zones if they get water sufficient to meet their requirements. In areas not liable to famine, irrigation does not do any good as there are no water courses prepared and the water cannot be supplied at proper time and to the extent desired. These difficulties have been brought out before the recent Irrigation Commission, and if improvements are made and the existing defects removed, and the rates are reduced, irrigation will do immense good in famine zones by saving the crops and in non-famine areas in improving the produce.

In my opinion radical steps have to be taken by Government to write off the debt to provincial Government and base the assessment of water rate as will create confidence in the tenants that this scheme is meant for their benefit and charge such rates as are reasonable, consideration being given to the fact that such rates are permanent charge on the land as a land revenue. The expenses of Irrigation Department should be reduced and a workable scheme prepared.

QUESTION 6.—The following may be considered to be subsidiary occupations worth the name, besides those mentioned in the question:—

- (1) Weaving.
- (2) Poultry-farming.
- (3) Newar-making.
- (4) Rope-making.
- (5) Gunny bag-making.
- (6) Bidi-making.
- (7) Dona and patrawals.
- (8) Extraction of oils from various seeds.
- (9) Making of ploughs on improved scale and carts.
- (10) Kepori buying grain in the interior and selling the same at trade centres.
- (11) Weaving of blankets.
- (12) Preparing bricks and tiles.
- (13) Preparation of mats, etc.
- (14) Preparation of earthen pots.

The question of engaging the spare time of the cultivators and making it useful for whatever they can earn has been taxing the brains of the Co-operative and Agricultural Departments and of public also. Efforts are being made to meet these wants. There are no organized institutions which can meet their want. Co-operative banks have taken up this subject and it is under consideration of the Government. Agriculturists borrow money from whatever source they can and carry on these occupations. The subject bristles with difficulties. Some industries are suitable to one area, some to others and in some cases many in some villages. Then there is caste prejudice which also comes in the way. Though a profession be suitable and lucrative, caste prejudices come in and agriculturists are not prepared to take up such professions irrespective of caste or creed.

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Methods for encouraging such industries and getting better outturn. Ignorance and desire for earning more money is the chief cause besides the difficult money in these matters. Intensive propaganda and education is necessary, the co-operative banks and private enterprises have got no money and cannot undertake this work unless Government comes forward to finance for the propaganda and education. Arguments are adduced that for every thing public wants the Government to spend money. Where is the money come from, and Government cannot afford to spend money and tax the public to spend money for this purpose. It must be borne in mind that Government is responsible for the present helpless condition of India, her once flourishing trade is gone. It is not necessary now to go into these questions, but to look ahead how the present state of affairs can be mended. It is a fact that agricultural economics has been neglected and is practically unknown in India, but time has now come when it can no longer be neglected. There is a serious competition from the other countries. Agriculture ought to be made a paying concern. State is ultimately the landlord in this country and as such it is the duty of the State to make arrangements and supply money for propaganda and education. More advancing money for subsidiary occupation would do no good unless it is backed up by intensive education and propaganda to spend money on objects for which it is borrowed, and pay the debts first incurred for this business and then utilize the profits.

Such industries can only be encouraged by proper financing. In rural areas it is the co-operative movement which can be taken advantage of and properly spread throughout the length and breadth of India or the province or the district, as the case may be.

Most of the small industries are such that the produce will be utilized in the locality.

In case of bigger industries the question of transport has to be considered and ways and means found out. Proper roads must be provided.

These subsidiary industries do require credit facilities in organized forms. Some credit facilities do exist as co-operative banks have now commenced advancing money for this purpose. The beginning is very small and a drop in ocean. Agriculturists do borrow money from local money-lenders for this purpose, but as money is borrowed from money-lenders on joint security which is not realized, the result is that honest men suffer for dishonest men. 4

Steady and slow progress would only materially help such movement with persistent propaganda and education. Co-operative movement should be utilized to the fullest extent for this purpose and necessary capital should be met from deposits and loans from Government or banks. If banks are unwilling to finance, the Government should give guarantee for this purpose to enable co-operative institutions to raise the necessary working capital.

Relation between the co-operative banks and other banks.—Co-operative banks deal with Imperial Bank of India and other banks. These banks advance money to co-operative banks by giving them cash credits and by pledge of securities.

Finance by co-operative banks in long and short-term loans.—In fact co-operative banks cannot give long-term loans for improvements of lands, acquisition of land, long-term loans for repayment of old debts. However as land mortgage banks are not started, these co-operative banks have to do this business in a restricted sense. The legitimate duties of the co-operative banks is to advance short-term loans for production, rearing up of crops for agricultural cattle and for repayments of small debts of the agriculturist's which can be paid off in two or three years or so. Advances are also made for marriage and other social purposes, payment of rents and land revenue, seed, manure, construction of houses and other petty wants of tenants. If the banks have proper staff and group system is recognized by the Government and co-operative banks and societies are required to pay their equitable share for such expenses and Government contributes for the balance, there ought to be no trouble about finding out the exact requirements of the agriculturists and financing them for all their needs except large amounts for improvement and repayment of old debts, and I do not see there will be any difficulty in realizing such advances if attention is paid to their paying capacity and proper kists are fixed and revised according as the harvest is good or bad.

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The producing capacity of the tenants is less in rice districts and the societies are illiterate and ignorant and the distances are long, the result is that the cost of management is high and the bank cannot bring all the area of the district within the movement. It will require Herculean effort to form as many credit societies as are required in each village. It will also be necessary to form purchase and sale societies, co-operative shops and to attend to all details for the rural uplift. In short, the whole economic question will have to be solved and the agriculturists will have to be made dissatisfied with their present lot and manner of living. I do not mean that all these things can be done in a day, but efforts should now be made for making a start in all these directions in the right way. It is said all this work should be done by honorary workers. Those who advocate this view forget that honorary men have to make out their living and maintain their families. They can only be expected to give spare time which may mean very little. The work can only be done by proper paid staff or by working out a system of creating volunteers and providing them with money for the expenses. Such a staff is necessary for education.

Estimate of amount required for co-operative movement.—No estimate can be prepared or given for the province or a district. The estimates will vary according as the different items are taken up or the movement is restricted spread throughout the district and the province. I have prepared certain statements they might be of some use in forming an idea of how much capital is required, if necessary figures are obtained from the Settlement and Restriction Departments.

Competition between co-operative banks and joint stock banks.—The co-operative movement in this province is in its infancy. It has touched only the fringe of the agricultural masses, that too in forming only credit societies. Attempts are being made in other directions, but they are a drop in ocean. There are vast areas to be explored. Time has not come and my personal opinion is that it will take not less than 20 years before there is any competition between the co-operative banks and other banks either in this district or in the province, if the movement is worked in efficient manner. Many co-operative banks have surplus money with them and the Provincial Bank finds it very difficult to find outlet for the money it has. Unless the movement is spread on right lines and in all directions, the time has come for serious thinking as to what use should be made of all the surplus money that is invested in this department. Even with the lowering of rates of interest in deposits, the money is flowing in as confidence of the public is created in the safety of the department.

Granting of certain concessions by the Government.—In my opinion time has now come when there will be no risk in inclusion of debentures of the provincial bank in the trustee securities. If Registrar certifies, debentures ought to be allowed by Co-operative Central Banks whose sound condition is certified by the Registrar, Co-operative Societies. Special exemption from income-tax should be made to all genuine co-operative societies in all its dealing.

Success of the co-operative movement.—There is considerable difference of opinion on this point. There is one view that indebtedness of the agriculturists has increased on account of this movement. It has facilitated the borrowing and the members of the societies are more indebted than other agriculturists. I do not know how far this view is correct. I doubt it very much. There is a general feeling to conceal indebtedness for the purpose of getting money by agriculturists, from whatever source money can be had. General public has no agency by which a correct estimate of the indebtedness of the agriculturists can be found. Considerable enquiry is made by the Co-operative Department when societies are formed about the indebtedness of the members of the societies. This is not all. After the formation of societies enquiries are made of outside indebtedness by the audit staff and the bank staff. Still it has been found that there is some debt concealment which comes to light every now and then. If this is the case in Co-operative Department, one can easily see how difficult it is for others to find out the correct indebtedness outside the movement. I am not prepared to believe that human nature is different in case of agriculturists who have joined this movement and of those who have not been able to take advantage of this movement. My idea is that Co-operative Department has been able to find out indebtedness of the members of the societies and in other cases correct information is not available and that is the reason why members of co-operative societies are said to be more indebted than others.

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I am prepared to concede that in cases where money cannot be had agriculturists are compelled to drag on with whatever money is available. I am prepared to concede also that there are cases where people borrow more money than is necessary where there are sowkars in any locality. But in this department improvements have been made and every scrutiny is made: not only of needs for which money is advanced but whether the money has been also spent on objects for which it was borrowed and steps are taken to recover moneys spend otherwise. Though it may appear harsh, but it will bring on such training that in some-time it will become second nature of the members of the societies to borrow money only for necessities and not to mispend the money. This thrift will be the predominant feature of the members in time to come. It appears to me that the rates of interest on borrowings is being gradually reduced in areas in which this movement has spread. The introduction of share societies and reserve fund scheme has considerably reduced the rate of interest. In some cases the interest of the members of the societies in which there are ordinary cultivators has been reduced to 9 per cent per annum. Even the agriculturists who have got transferable lands and properties and many malguzar cannot get loan at this rate. This is a distant success of the movement. So far the credit societies are getting this advantage. This movement has not been able to meet the requirements of small traders and industrialists though a few cases of such societies may be found in some co-operative banks in this province. If proper propaganda is made and intensive education in co-operative principles is given, there is large scope in this movement but lack of money for propaganda and education is coming in the way of the spread of this movement. Malguzars and money-lenders have got an idea that this movement is meant to take away their prestige and profession. This movement has to fight against the prejudices of malguzars, money-lenders and middlemen and against the ignorance and illiteracy of the agriculturists. I believe there is sufficient money in the movement and more money can be made available for the spend of the movement to the advantage of agriculturists and small traders and industrialists. Figures of the last five years, showing amounts advanced by co-operative banks in Chhattisgarh and the purpose for which they are advanced are given as per list attached to answers of question 6.

Usurious Loans Act.—In my opinion this Act is practically a dead letter and very little advantage is taken of this measure; owing to ignorance and illiteracy of masses and agriculturists they do not keep accounts of their debts and cannot meet the creditors in court to fulfil the requirements of law. In very few cases accounts are opened if at all they are so opened. The use of this Act should not be made dependant on pleadings of the debtors, but unless courts are authorized to take judicial notice of facts brought before it and give relief in cases where the amount of interest is excessive, the Act cannot be of any help by the amount of interest is excessive, but courts other than small causes are bound by the procedure of the Civil Procedure Code and it is very difficult to give proper relief. In this connection the interest of the money-lender has also to be looked after and equitable relief should be given which will not ruin the creditor and save the debtor as well.

English money-lender's Act and proposed Money-lenders' Bill for the Punjab.—These texts not being available and time being short, they cannot be procured so soon; it is very difficult to give proper view on this subject. England is far advanced, it is pre-eminently an industrial country and money-lending is looked down in that country. That is not so in this country. The circumstances differ in both countries, India is entirely dependant upon agriculture, nearly 80 per cent of its population is dependant upon agriculture in one way or another and the agriculturists are admittedly heavily indebted all over in all the provinces. The spread of the co-operative movement has not reached them all. Only a small portion has been touched by this movement. Agriculturists do require money all the year round, excepting a portion of the years when harvest is ready and sold. It is also true that the evil of a middleman is undesirable and takes away a large part of the earnings of the cultivators. It has been found that middleman has made himself indispensable in all branches of life and trade to the detriment of the producers and consumers. How in this evil to be remedied? Co-operative institution has not developed so far to meet the requirements of the agriculturists and cannot be expected to expand for years to come to meet all the needs of agriculturists and of all the agriculturists.

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The object of licensing is to control the money-lenders, and to replace them by other institutions, but time has not yet come when this system can be safely introduced. The troubles attendant on licensing are so great that there is danger of cutting the supply of money and grain to the agriculturists.

The agriculturists do not solely borrow from professional money-lenders. Many malguzars and tenants who are not professional money-lenders do advance grain and money to their brother-malguzars and tenants; if these have to be licensed, there is danger of these stopping such investment and the very object of encouraging agriculturists to save and utilize their savings to help their brother-agriculturists will be in danger. As for compound interest, the co-operative banks, joint stock companies and Imperial Bank of India charges compound interest. Some banks do so in six months, some in three months. Sowkars compound in one year, co-operative banks compound every year. There is no reason why money-lenders should be prohibited from charging compound interest. It appears to me that our object should be to reduce the rate of interest and all efforts should be concentrated towards this direction. As regards granting of copies, I do not think any reasonable men would grudge giving such once a year, but if frequent demands are made, it is not possible to grant copies; it would be better if the creditor gives a pass book to the creditor in which he is bound to enter each entry of repayment and advance and the debtor writes in the account of the creditor called the *sarkat bahi*, all such entries and signatures or thumb impressions in regular form are made. This procedure will save both the money-lenders and the debtors and there is likelihood of less frauds being committed. There is a just suspicion that licensing is being introduced to thwart the present political awakening in this country.

Co-operative lending on provincial scale.—I do not see the force or utility of this question. Assuming that Central Banks are abolished and Provincial Bank is made the unit. It cannot do the business throughout the province without establishing its branches in all district and tahsils for proper financing and recovery. The same staff would be necessary, you may change the name or constitutions, but the method will be the same. The local incentive may be taken away and there is danger of the movement being deteriorating. In my opinion one Central Bank in a district is insufficient, it must either open its branches wherever necessary or independent tahsil banks be started, if possible, to make it within easy reach of the societies. Even if societies are started in each village, some organization will be absolutely necessary from where money can be had on demand or where surplus money can without delay be invested to prevent loss of interest. I do not see any distinct gain by making Provincial Bank a unit. Decentralization is wanted to facilitate the working of the movement on a large scale. Over centralization has its defects which should be avoided.

Part II.—Indigenous Banking.

QUESTION 1.—Indigenous bank or bankers or sowkars, as they are generally called, deal generally in—

- (1) Money-lending for trade, business, agriculture and other wants either on or without security, as the case may be.
- (2) Lend money for industries as well.
- (3) Themselves do business in grain, forest produce, timber and other things connected with agriculture.
- (4) Deal in cloth and other kinds of trade.
- (5) Deal in hundis, etc.
- (6) Purchase locally and export all such goods to other provinces and big centres as Calcutta and Bombay.
- (7) Import all sorts of goods from other places and big centres.
- (8) In short they do all sorts of business which they can be prevailed upon to do with profit.
- (9) They used to get good deposits, but now deposits are declining as the general public deposit their money either in joint stock banks, Imperial Bank of India, co-operative banks, Government bonds and postal cash certificates.
- (10) They pool grain and all other products and export them.

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QUESTION 2.—Indigenous banking, assisting agriculture, trade and industry.—As stated before, these firms advance money and grain to agriculturists for cultivation purposes either with or without security according to the status, reliabilities and other circumstances.

They purchase the produce either in the interior or at trade centres and ganj, act as adatyas for sending agricultural produce outside the province, store grain and export when there is demand.

These bankers engage themselves in trade according to their status and advance loans to traders as well.

Advance loans to all sorts of industries according as they are persuaded as regards the safety of their money.

QUESTION 3.—There are no indigenous banking institutions worth the name in this district.

Bankers generally enter into partnership with traders or industrialists as sleeping partners and advance money, but such cases are few. In the province efforts are being made to start all sorts of business in partnership, but general experience is that there are failures, either owing to inexperience, or for want of honesty or other causes. Individual cases of enterprises succeeded according to the capacity, experience or status of persons carrying on business, but I am afraid we have not yet realized the idea of national institutions and general public honesty in joint concerns. Carelessness or want of confidence or self-interest, or public dishonesty generally causes failures. Bankers generally are afraid to go in partnership. It is not possible to estimate the amount of capital invested or volume of business done and cost of expenses, but individual bankers do not engage such staff as is engaged by joint stock companies or co-operative or other registered institutions.

QUESTION 3.—(d) Relations of banker's interest.—These bankers do business amongst themselves. They generally advance money to each other at 6 per cent per annum interest. Draw hundis amongst one another if such settlements are made beforehand, sell goods to one another on credit and in fact do all sorts of business amongst one another.

Their relations with other institutions.—As far as I am aware, these bankers borrow money from Imperial Bank or other joint banks either on cash credits given to them or by pledge of goods. Transfer money from one place to another through Imperial Bank or joint stock banks or by hundis. Indigenous banks have little concern with co-operative banks in this district. Reports of the different co-operative banks do not show how far they have dealings with private firms and what sort of dealings they have. But it is clear that many local bankers are acting as cashiers of the co-operative banks. The firm of Sir Bisesardas Daga is acting as honorary treasurer of the Raipur Co-operative Bank and the firm of Messrs. Seth Gopikisan at Baloda Bazar and Kashiram vt Dhamtari.

(e) Adequacy of the facilities afforded by Imperial and other joint stock banks.—The local and indigenous banks and bankers are generally complaining that they do not get cash in exchange for notes or notes in exchange for cash when they want from the Imperial Bank of India. They also complain that when they get Remittance Transfer Receipts from other places, they do not get cash if they so desire. Their other complaint is that they do not get change, i.e., nickel coins and copper, for meeting the need of business. I asked the several traders what is the cause of this. Some say that the reason appears to be that the Imperial Bank suspects that bankers make money in exchanging notes for cash and does not come to their assistance on account of commissions which the bankers get on hundis. They complain that they have practically lost the business of hundis and all this trade is being covered by Imperial Bank or joint stock banks. I do not know how far this is correct, but this question requires close scrutiny.

The general impression in the country and amongst the bankers and Indian sowkars is that Government intends to ruin them and place all the business in the hands of banks owned by foreigners and thus kill all indigenous Indian banking. This suspicion, supposed or real, is the chief cause why there is not so free good will, co-operation amongst the bankers and Imperial Bank of India and joint stock companies. There are general complaints throughout the length and breadth of India that other joint stock banks are put to great disadvantage in

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view of great concessions given to Imperial Bank of India and their contention is that they go to the wall in such competition. In defence of Imperial Bank it is said that Government forces its nominees on the Imperial Bank, confers titles on them, some of such nominees do not possess all the necessary qualifications and have to be paid large salaries. I do not know what is the status of this committee for making such enquiry, but such state of affairs are undesirable in the interests of trade and commerce and also in the interest of the Government and the public and if there is any truth in these allegations, the abuse, if any, should be remedied and put a stop to immediately. Banks are of two kinds of hundis—one payable at sight and the other payable at fixed periods such as 31, 61 and 91 days and such periods as may be settled between the drawer and drawee of hundis. A sample form is attached.

Promissory notes deposits forms are generally the transactions of English firms. At times letters are taken or given which evidence such transactions.

Bankers' method of granting loans, cash credits, etc.—Bankers grant loans to their constituents on simple money bond, mortgages, receipts, letter and *bahi khatas*.

Cash credit system is not so much devolved in regular form as is done by joint stock and other banks. Bonds are executed by debtors making themselves liable for money that would be borrowed up to certain limits and securities given in one form or the other and the banker advances money up to that limit.

Means of bankers to meet their demand.—Bankers generally meet the demand made on them from their capital deposits, if any, with them or borrowing from other bankers or by drawing hundis and selling them in market.

Bankers generally do not give more than 6 per cent per annum interest on deposits held by them. They pay more interest on hundis according to the rates prevailing in market or according to the rates fixed between the drawer and drawee. They generally charge 8 annas per cent per annum interest amongst themselves. This is the case of bankers, but the rates of small bankers depend upon their credit, capital and other circumstances.

Advances in commodities and not in cash.—This depends on what kind of business is done by bankers. There are some bankers who deal in commodities and it is natural if any one goes to them, they will offer what they have. There can be no compulsion in such matters, unless the debtor is such a hopeless one that he would take anything which he could get. I do not know of any banker, at least in this part of the district, who forces his goods on others in this way.

When goods are pledged with the creditors and keys of the *kothas* in which goods are kept, the creditors do not themselves sell the goods, but they do take the precaution that the sale-proceeds are paid to them. I know of no such custom in this part of the district, but I have known of such cases in which possession of goods or ornaments is given to the creditor and if the debtor does not pay the debts and creditor sees that his security is diminished and the value of the goods is equal to or less than the debts, he gives notice to debtor to pay his debts within a specified time and if such debt is not paid he sells the goods under section 176 of the Contract Act.

QUESTION 6.—*Interest on money transactions.*—Good and solvent agriculturists have to pay interest on loans borrowed by them from Rs. 12 per cent per annum. Some have to pay even up to Rs. 2 per cent per month if the indebtedness increases and are not able to pay their dues in time. Small agriculturists have to pay interest from Rs. 2 per cent up to one anna per rupee per month according to his status.

Interest in kind.—When loans are advanced in grain, interest or *barhi* varies from 25 per cent to 50 per cent. This grain and interest is repayable after the crops are harvested and if it is not paid in time, they have to pay the *barhi* for the next year till another season of payment becomes due.

The best way to bring down interest is to provide facilities to the farmer to get money in time on low rate of interest either by spreading of co-operative movement or by Government giving loans freely for taccavi and land improvement.

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Seed unions and other sorts of grain unions should be started on the basis of those started in northern district, which enables the cultivators to pay off the debt borrowed and increase their capital in stock on the profits. If this system is vigorously carried on and encouraged, it is possible in a decade or so the whole aspect of the present condition will change and large unions' stocks will be created throughout the district and province which is bound to reduce the rate of *barhi* in near future.

Effects of reduction of rate of interest.—The reduction in rate of interest would certainly confer great benefit on the agriculturists as savings would be made available for purposes mentioned in this question, but mere reduction of rate of interest and cheap credit would not solve the question of removal of indebtedness and money secured would not be available for improvement of land, agricultural implements or raise the standard of living. If money is available at cheap rate of interest, the agriculturist would borrow recklessly thereby increasing indebtedness. It is absolutely necessary that reduction of interest and cheap credit should be backed up by intensive propaganda and persistent patient education. As regards agricultural improvements or better implements and better or more manure, I am not satisfied with the present activities of Agricultural Department, specially in rice-producing districts.

The experiments that are being made in Government experimental farms are not made with a view to really help the agriculturists. I will quote an instance. In Raipur farm at Labhandih and other places experiments are made in improvements of seed and more attention is paid to improvements in consideration of irrigated crops. Recently some experiments are being made as to what would be the effect of biasi if it is done on crops which are of different growths. What is really wanted for the benefit of the agriculturists is to make experiments and find out a solution how weeding expenses would be decreased and make improvements in the kind of seed of dhan which is in great demand and find out the remedies for various diseases in that kind of crop.

(a) So far as transplanted rice is concerned experiments are made to find out best kind of seed which will be less amenable to disease and try to keep agriculturists in assisting and educating to sow such seed only and for which there is great demand in the market.

(b) It is no use concentrating energies on merely seed used for transplantation purposes in Chhattisgarh. It is absolutely necessary to investigate and take up the question of raising good crops in tracts for biasi. It is an admitted fact that biasi tracts are far in excess of transplanted tracts. It is absolutely necessary to make experiments as to what steps be taken and what improvement be made in biasi system, as there is no likelihood of biasi being given up in favour of transplantation. There are many causes for this such as inferior cattle, want of capital, proper irrigation and the like.

QUESTION 7.—Generally debtors have no prejudice against any class of bankers at the time of borrowing, but when they fail to pay the debts, and their properties are sold for such debts, they do show prejudice against the bankers.

Persons in affluent circumstances and in service do look down upon sowkars or bankers from the point of view that such a business is not a natural asset and does not endure to the production of material wealth. There is a class of low banking persons such as Kabulis or Punjabis and others who lend money on very high rates of interest and who sell goods on exorbitant prices in the interior of the districts to ignorant persons and realize their money by objectionable method, by use of force, by troubling and harassing not only the debtors, but the neighbours as well. These are looked down by every one and there is great deal of prejudice against such class. Such persons (creditors) do not deserve any special protection of law. They take law into their own hands and create havoc amongst ignorant persons. They are punished in courts of law for their excesses and at times are thrashed when their excess exceeds the limits of endurance. Such dealings are not conducted on sound lines. These defects can only be remedied by propaganda and education amongst the ignorant masses to supply their wants by co-operative institutions, by opening co-operative shops and societies every where and in all the nooks and corners of the district.

QUESTION 8.—No other means can be suggested to make such bankers more serviceable, other than the fact to make their business impossible so that they may take to other professions more honorable and useful. The question does

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not seem to me clear. If it refers to such class as are looked down upon by the public on account of their advances of money or goods on exorbitant rates of values, the solution lies in making such profession impossible as stated above, it means and includes general banking class which is looked down upon on account of the fact that such business is carried upon not as a national asset, the only reply that can be suggested is that it is impossible to do away with such class as long as co-operative institutions are not spread all over the length and breadth of the province. These bankers have been an asset of the country from the point of view that there are no institutions started to meet the wants of traders, industrials and agriculturists and these bankers do provide such wants.

System of account keeping and inspection of accounts.—The system of account keeping according to banks is as follows:—

(1) They keep *kacha* and *pucca rokad* in which all cash transactions are recorded.

(2) They strike generally daily balances; some strike weekly and fortnightly balances.

(3) Ledger is kept.

(4) *Nahal bahis* are kept in which all adjustments are made. All purchases on credit and all sales on credit are entered in *nahal bahis* which are kept *kacha* and *pucca*. Transactions which are made on credit and paid off and completed the same day or fortnight do not find place in *pucca nahal*, but are carried over to the *rokad*.

All the accounts are not open to the customers. Only individual accounts are open to the inspection of customers who are concerned with such dealings. There is no reason why individual bankers who have no concern with others should give publicity to their accounts. He is not concerned with others and others have no concern with him. They would resent to any measures which would be introduced to regulate their business and given publicity to them. In joint stock companies it is necessary that shareholders should know what the actual condition is as they are interested in it. Even in such companies only exact and totals are given in the annual statements. I am afraid the share holders have to remain content with audited statements and are not permitted to go into accounts. Why should these individual bankers allow their accounts such publicity as it is not the concern of others. As regards regulating their concerns, I am afraid the bankers are under the impression that this banking enquiry is not started with the object of helping them, they have a suspicion that ins and outs of their profession are desired to be known with a view to ruin their profession and start Government banks or give all the facilities to Imperial Bank of India and other banks. This question of introducing measures for regulating the operations of private bankers raises further suspicion amongst them. Their grievance is that all this is being done with a view to keep them under the control of Government, so that when once the bankers are entirely under the thumb of Government, they will become slaves of bureaucrats and all political and economic movements will be in their hands and Indians will be helots of the Empire. Their further grievance is that all Commissions that are issued are not really for the benefit of India, but with a view to make the control of Government firmer and firmer and make Indians helpless. I am also inclined to believe that lots of money is spent over Commissions and very little purpose is served. Nowhere in the world is the private business controlled, why should the business of the bankers be controlled unless it is with a view to ruin this class and make any sort of political and economical agitation impossible for Indians.

QUESTION 9.—No idea of such outturn can be given as is desired in this question and I am afraid this information, even if given, would not be reliable as bankers are not prepared to give such information.

QUESTION 10.—Every banker does business according to his capital. By capital I mean his own money invested in the business plus deposits and all his credits and borrowings. He can not be expected to go above his assets, and if he does so, he will become insolvent in near future. There is a limit to which such business is permitted with safety and the moment this safety limit is exceeded there is always danger of business failing.

No banker or indigenous banking firm can meet such demands as are beyond their power and capacity. They do and must refuse to lend money on unacceptable nature of the security offered.

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QUESTION 11.—This question is a most important one. It cannot be solved by ordinary persons and no one who has not studied economics can give proper replies and give at least plausible solutions. All that I can say is that it is desirable in the material interests that present state of distrust should be removed. All banks and bankers should be afforded such facilities that one may be useful to the other. Money should freely flow from one to the other to afford good facilities for trade and industry. The present complaint between Imperial Bank and other banks and bankers deserves close scrutiny and solution will have to be found out to avoid competition. It will be futile to say that there should be no competition. Some sort of competition there always is which cannot be avoided, but reasonable limits should not be exceeded to give all facilities to one at the expense of the other.

QUESTION 12.—I think and have reasonable apprehensions that some bankers do hoard money and keep it in their cellars or bury it in the ground and such money now sees the light of the day and is dead loss to the national interests and to the banker himself. I believe the reason appears to be due to the habit of the people to have something if *asmani* and *sultani* disasters occur when they must have to fall back upon something. It was also due to the uncertainty and unsecurity in the past. Fluctuations of money markets is also one of the causes. Interest of India is sacrificed for the benefit of England and other foreign countries.

As there is no co-operation between bankers, joint stock and other banks, large amounts do lie idle during certain periods of the year.

There is large scope for improvement and also in organization of money-lending and borrowing institutions or individuals for tackling these questions and expert economists can only suggest ways and means to solve this question. It is no doubt that India is very backward now. It has lost its commerce and industries and is now only exporting raw materials which is a great loss to the nation and unless Government and all moneyed classes and intellect combine to revive the commerce and industries, regeneration of India is not possible. There is no opening and we find the best brains of India are mostly engaged in professions of law and service. This is a most deplorable condition from national point of view.

Part III.—Investment habit and attraction of capital.

QUESTION 1.—Existing banking resources in the province.—The existing banking resources in the province may be summoned up as follows:—

- (i) Imperial Bank of India.
- (ii) Joint stock banks.
- (iii) Co-operative banks.
- (iv) All other banks and bankers.
- (v) All such agriculturists as lend money or grain out of their savings or on borrowed capital.
- (vi) Petty money-lenders.

Institutions for encouraging savings and investment habit.—Public invest their money or savings in—

- (i) Government securities and treasury bills,
- (ii) debentures issued by various public bodies,
- (iii) savings banks of various banks,
- (iv) cash certificates issued by Government through post offices,
- (v) current accounts with the banks,
- (vi) postal savings bank,
- (vii) renowned bankers.

Banks.—General educated portion of the public invest their money in banks and the influence of banks has been to draw more capital and divert all deposits from indigenous banks to joint stock companies and Imperial Bank.

Co-operative societies.—These societies have created a desire for investing savings of big and small agriculturists, servants either of Government or others, and other classes to make their deposits in co-operative banks and societies. This institution has gained confidence of the public for the reason that there is a joint responsibility, strict audit by Government and higher rate of interest given to the public. The result is that the movement has

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got so much amount that the managers of the business are finding it very difficult for using all this money with benefit. There are large surpluses which are invested in Government securities and in banks simply because the movement is not expanding. If this movement is properly expanded, any amount of money would be absorbed in this movement. The co-operative movement has introduced compulsory method of making savings by creating reserve fund of primary savings and also introduction of small deposits by members in their societies with the result that many old societies have got very large reserve funds out of their profits and the members have realized the advantage of such investments with the result that on 30th June 1928 reserve and other funds amounted to—

		Rs.
Provincial Bank	...	3,67,253
Central Banks in Central Provinces...	...	15,27,121
Berar	...	8,82,666
Total		27,77,040
and deposits by individuals and others in Provincial		
Banks	...	41,33,076
Central Banks in Central Provinces...	...	35,13,645
Berar	...	69,53,105
Total		1,48,99,826

Facilities for investment of savings.—Public are mostly provided with full facilities for investment of their savings in headquarter towns or other places where there are banks or post offices, but not so in the interior of the districts. It may be that the time during which business is due is not suitable to all but the cost of management has also to be considered for keeping such departments open to the public during all the hours of the day. The question of extending these facilities in the interior presents great difficulties. The question of cost of establishment and management, cost of transport and security and need of honorary men where necessary have to be considered and the difficulties are not so easy as many suppose. There is great difference between theory and practice. Scheme on paper would appear grand but in actual working the difficulties are innumerable. The want of roads, bridges and proper communication is the chief obstacle. Then finding out of proper directorate who are willing to give their time to this sort of work is very difficult in the interior.

Habits of the people of India to invest in gold and silver.—Almost all classes of people here in India do invest some part of their savings in gold and silver. Probably a large amount is blocked in ornaments. Love for ornaments is not exceptional in case of India alone as this country is being condemned by Government and other countries in the world. I do not think there is no love in other countries for ornaments. India was once a flourishing country and her vast amount of wealth has been robbed by foreign countries either by conquest or plunder or economic drain. Who is not aware of the loot by East India Company of the gold, silver, precious stones and other jewellery from India. All this wealth has been carried away from India and Westerners are reaping the advantage of all this drain today. Look at the vast amount of ornaments and jewellery in Europe and America today, what is the amount of ornaments and jewellery in India in comparison to those countries. Failure of so many banks and industries and companies have also contributed to the habit of purchasing gold and silver so that in time of need these commodities are sold to meet the wants.

So far as poor agriculturists are concerned, they do purchase gold and silver when their crops are sold, prepare ornaments, some keep them in tact and sell it after their stock of grain is exhausted to meet their wants. The amount may seem to be very large collectively considering the vast population, but when the calculation is made per head the ratio is very small. Middle classes mostly purchase gold and silver, make ornaments when they are in a position to save some money and sell them when they are unable to earn or meet the necessities of life. This is mostly due to the fact that such class has lost good deal of their earnings which they had deposited in banks, purchase of

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shares in joint stock banks and companies and have lost their savings by the failure of banks and companies. I do not deny that there are some who buy gold and silver and bury these in earth which is generally lost. All this is due under the present circumstances to the want of proper education and faith in joint stock companies and banks and other companies of mushroom growth in which people have lost their faith on account of many failure at a time the public began to realize the value of investment in banks and joint stock companies. Large amounts used to be deposited with indigenous banks and frequent insolvencies of such bankers had also caused immense loss to such depositors and created want of confidence. Improvement in joint stock companies and banks and strict and detailed audit would revive confidence. Propaganda would be necessary for creating confidence and liking for investing savings in such banks and companies and change the habit of the people.

Creation of gold current alone would help and create confidence. The present uncertainty about ratio of gold and silver currency is also one of the causes which has led to purchase of gold and holding it back.

QUESTION 2.—Postal certificates.—These are popular only in district places and other big centres. As far as my information goes, agriculturists do not take advantage of postal certificates. Traders do not invest in postal certificates. It is only the middle classes and those that are in service that invest their savings in postal certificates. Public bodies do invest provident fund and co-operative banks their reserve fund in such certificates.

The limit fixed for maximum deposits for cash certificates comes in the way of the co-operative banks and public bodies such as municipalities and district council to invest their reserve fund of provident fund in postal saving banks.

There is great inconvenience felt at the time of withdrawal of money invested on account of various reasons. In case of death of investor, his heirs have to undergo so many formalities and to wait for months to get back money. If these troubles are removed, postal certificates would attract large amounts. In my opinion the rates require change every now and then according to rise or fall on the rates of interest on deposits.

Savings bank.—Savings bank do afford all sorts of facilities to the public. It is the middleman who takes advantage of savings bank and those who are in service also invest their savings in such accounts. The present system of employing district council teachers in the sub or branch post offices in the interior cannot be expected to increase the business of savings bank accounts.

Competition on account of rates of interest on postal cash certificates.—The rates given on postal certificates are higher than those given by Imperial Bank and other joint stock banks. There is bound to be some competition when rates of interest on postal cash certificates and treasury bills are higher than the rates given on deposits either in savings bank or fixed deposits by bank.

QUESTION 3.—Facilities to small agriculturists.—Small agriculturists can hardly take any advantage of such securities in whatever form they may be introduced or how so the amount be fixed or such securities. It will raise the cost of management with no advantage at present. It is just possible with patient training, propaganda and education, the present condition of tenantry may be changed for the better and there will be real scope for such securities for the small agriculturists. Our experience of the purchase and sale of war bonds issued at the time of the last war is that the small and big tenants who had to purchase war bonds issued at the time of the war is that the small and big tenants had to suffer loss both when they purchased and sold. Many a war bond have never been presented for sale and are either lost or lying without any use to the tenants. It is only in cotton and wheat-producing districts that agriculturists get large amounts for their crops. In rice-producing districts average tenant does not get such large amounts.

Habits of various groups.—It is true that when grain or stock is sold in markets, the tenants generally purchase some gold and silver and other necessities which are easily available at such places. Debts are paid, balance, if any, is kept for purchase of cattle and other necessities of agriculture and for marriage and other objects that they do think of. If they have extra money, they keep it buried in the ground and take it out when necessity arises. There may be some who are more intelligent who invest with sowkars or in other institutions.

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But in tenant class such a number will be found to be very little. Where co-operative institutions are opened and much propaganda is made, money is deposited in co-operative societies. No estimate can be given of tendency towards hoarding by small tenants and big.

Agriculturists lending to their fellow-agriculturists.—Agriculturists do lend grain to agriculturists on *barhi* of 5 to 10 *kathas* per *khandi*, i.e., 25 to 50 per cent. It may be noted here that the rate of grain is dearer when it is lent and cheaper when realized.

In prosperous year agriculturists generally sell their produce and pay off their debts. No estimates or information can be given or is available regarding the amount, growth or distribution of capital among the indigenous people.

QUESTION 4.—It appears that abolition of stamp duty on cheques has increased the habit of the people to deposit money in banks and issue cheques. It is banking population and middle classes that use cheques besides the banks and public institutions.

Cheques for salaries.—General complaint is that people have to wait for long time in Imperial Bank for getting money on cheques and completing banking transactions, gazetted officers of the Government draw their own salary bills and it may be taken to be sort of cheque. I do not see any utility of increasing labour by issue of cheques and spending so much money over ink, paper and printing.

Vernacular scripts in banking.—It is English-knowing public that is not put to any inconvenience by English script. Those who do not know English are put to some and at times are at great disadvantage on account of ignorance of English script. Vernacular script will no doubt increase the cost of printing, but it will be of great help and convenience to the general public.

QUESTION 6.—*Growth of banking and investment habit.*—I do not support the view that banking and investment habit in India is of very slow growth. It appears so because the present banks—Imperial Bank and joint stock banks—are of later growth. When these did not exist, people used to deposit money with indigenous bankers. Now the deposits are being transferred from indigenous bankers to joint stock banks and other banks and so to all appearances it appears that the growth is very slow.

Propaganda.—If it is desired that any little saving should be invested and productive undertakings should be undertaken, the angle of vision from the Government side must change. Public have to be thoroughly educated on this subject. Government undertakings have the sting of authority of which general public is afraid. Unless this state of affairs changed and confidence of the public restored there is no hope of such savings being invested in all such concerns.

Opening of new branches of the Imperial Bank of India.—The opening of new branches in recent years by the Imperial Bank of India has, I believe, led to attraction of more capital and has made transfer of money easy and has offered facilities to traders to get capital for trade and to other industries.

Supplementary questionnaire.

It is a fact that the grower of produce in India does not get full value for his produce. It is the firms and companies who deal in export trade that control the price. In foreign countries it is the grower and associations connected with such persons who regulate the prices according to production and demand, but in India it is the companies which deal in foreign trade that regulate the prices and not the producers. It is New York and England that control the prices. As there is no co-operation between the producers, they are helpless and many a middleman takes away the profits unless there are co-operative institutions which can directly deal with foreign trade institutions instead of foreign companies acting as intermediaries, the present state of affairs will continue.

DISTRICT BANK, LIMITED, DRUG...
Statement showing purpose of loans advanced to Societies during past five years.

	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
1	2	3	4	5	6
	Rs.	Rs. a. p.	Rs. a. p.	Rs.	Rs. a. p.
1. Purchase of cattle.	19,020	26,650 8 0	25,698 0 0	43,137	41,434 12 0
2. Purchase of seed.	4,637	2,464 0 0	5,323 11 0	2,458	7,284 14 0
3. Payment of old debt.	6,546	21,795 0 0	11,416 0 0	17,249	14,678 0 0
4. Marriages ...	220	1,263 0 0	1,835 0 0	4,290	2,108 0 0
5. Purchase of land.	566	581 0 0	1,453 0 0	1,892	1,982 0 9
6. Purchase of carts and other agricultural implements.	206	120 0 0	150 0 0	860	332 0 0
7. Repairs to houses	200	1,492 8 0	831 0 0	1,609	1,310 0 0
8. Improvement of land and cultivation expenses.	140	270 0 0	190 0 0	1,440	4,162 0 0
9. Land Revenue and Irrigation Cess.	380	830 0 0	2,146 7 0	2,849	5,784 6 0
10. Share purchase...	988	476 0 0	224 0 0	62	75 0 0
11. Grazing and fodder.	77	90 0 0	305 0 0	827	...
12. Sinking well and for embankment.	...	110 0 0	334 0 0	...	90 0 0
13. Commission of liquidator.	...	...	...	51	443 2 4
14. Refund of Surplus collections.	...	...	...	...	504 5 2
15. Household expenses.	...	...	...	...	979 0 0
16. Other ...	...	...	50 0 0	...	1 0 0
Total	32,980	56,142 0 0	49,956 8 0	76,718	80,160 2 6

HONORARY SECRETARY, CO-OPERATIVE CENTRAL BANK, RAIPUR.

CO-OPERATIVE CENTRAL BANK, LIMITED, BILASPUR.
*Statement showing purpose of loans advanced to Societies during
 past five years.*

	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	Rs.
1. Purchase of cattle	99,232	1,03,489	99,819	96,893	1,11,136
2. Construction of bandha and sinking of well.	2,195	3,642	14,397	15,098	20,371
3. Purchase of carts and agricultural implements.	1,160	2,077	20	2,391	1,925
4. Purchase of seed ...	2,500	418	363	235	165
5. Purchase of land ...	3,039	8,176	6,341	7,905	8,763
6. Cultivation expenses.	1,006	12,908	3,528	2,349	1,036
7. Purchase of shares	4,695	2,605	...	...	...
8. House building ...	1,090	2,492	2,591	3,709	4,178
9. Trade purposes ...	1,088	990	...	...	...
10. Payment of old debt.	17,631	12,284	12,843	19,283	19,215
11. Payment of land revenue.	...	...	10	450	15
12. Redemption of mortgages.	1,830	...	...	...	...
13. Marriages ...	4,019	7,669	4,966	6,113	5,207
14. Pilgrimage ...	25	325	...	...	...
15. Court expenses ...	55	99	...	...	...
16. Other purposes ...	...	359	2,667	1,910	2,637
17. Household expenses.	...	13	...	...	...
Total ...	1,47,565	1,57,488	1,47,545	1,55,335	1,74,648

HONORARY SECRETARY, CO-OPERATIVE CENTRAL BANK, RAIPUR.

CO-OPERATIVE CENTRAL BANK, LIMITED, RAIPUR.
*Statement showing purposes of loans advanced to Societies during
 past five years.*

—	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
1	2	3	4	5	6
	Rs.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
1. Purchase of share	510	1,252 8 0	1,127 8 0	2,882 8 0	1,470 0 0
2. Purchase of seed	250	429 0 0	743 0 0	477 0 0	670 0 0
3. Purchase of cattle.	13,029	27,286 0 0	32,841 8 0	70,015 8 0	7,616 0 0
4. Trade purposes...	2,075	4,995 8 0	7,170 0 0	17,050 0 0	20,450 0 0
5. Refund of deposits.	3	4 8 0	22 2 3	106 7 6	112 6 3
6. Agricultural ex- penses.	55	335 0 0	1,710 0 0	1,461 0 0	1,991 6 0
7. Repayments of outside debts.	980	2,495 0 0	9,734 0 0	24,662 0 0	21,213 0 0
8. Payment of land revenue.	86	18 0 0	52 0 0	...	559 0 0
9. Marriages ...	...	455 0 0	770 0 0	823 6 0	1,690 0 0
10. Purchase of land	215	400 0 0	2,075 0 0	4,290 0 0	8,732 0 0
11. Purchase of raw materials.	1,100	...	180 0 0	2,278 0 0	...
12. Purchase of cart	...	70 0 0	...	150 0 0	1,703 0 0
13. House building...	...	165 0 0	1,072 0 0	1,436 0 0	2,659 0 0
14. Household ex- penses.	...	161 0 0	55 0 0	52 13 0	177 0 0
15 Fodder ...	...	...	25 0 0	190 0 0	50 0 0
16. Improvement of land.	...	...	1,379 0 0	2,400 0 0	4,224 0 0
Total ...	18,303	38,066 8 0	58,955 2 0	1,28,252 4 6	1,41,861 6 8

MR. C. D. DESHMUKH, I.C.S., Settlement Officer, Raipur.

Reply to the Questionnaire.

Loans are obtained by the agriculturists of this district principally from professional money-lenders, and to a smaller extent from malguzars, co-operative banks and the Government: co-operative banks and the Government provide a very minute share of the financing. In rare cases substantial tenants regularly carry on a certain amount of money-lending in their own adjoining villages and tenants occasionally help one another with small short-term loans.

Loans required for defraying expenses during cultivation apart from the purchase of plough cattle are generally in kind and are usually obtained from malguzars of the same or neighbouring villages.

Loans in kind are in most cases of short duration. They are taken in April or May for seed or other agricultural expenses and occasionally for maintenance, and are repaid in December or January after the rice crop (the staple) is harvested and threshed.

Cash loans are not repaid so promptly, but the vast majority of these are repaid within three or four years. Old debts are comparatively rare in this district.

The loans raised by malguzars are generally secured by mortgages on their village shares, whereas those raised by tenants are largely unsecured, even when the tenant has a mortgageable interest in his land. Subletting land for period of years (notwithstanding the provisions of section 12 of Central Provinces Tenancy Act) as a means of repaying a loan with interest or of paying interest alone is not uncommon. I have not come across instances of standing crops being held as security for a loan and cases where cattle are given as security are very rare.

On grain loans the rate of interest may be 25 per cent (*sawai badhi*), 35 per cent (*sattaisa badhi*, i.e., 27 *kathas* are returned for every 20 *kathas* borrowed) or 50 per cent (*dedhi badhi*).

On cash loans the rate of interest is very variable. In one tahsil (Dhamtari) I found 37½ per cent a common rate of interest for the smaller tenants; in the other tahsils 24 per cent appears to be the usual rate for such men. A very substantial tenant can raise a loan on 12 to 18 per cent and a moderately well-to-do one on 18 to 24 per cent. Rates charged by Pathans, Punjabis and others of that like are very much higher, 50 to 75 per cent, but fortunately for this district they play an insignificant part in the financing of agriculturists and very bad indeed must be the reputation or credit of a man who fails to find other money-lenders than these.

One would expect that absolute-occupancy tenants would be obtaining loans on rates of interest appreciably lower than those secured by occupancy tenants, but the figures examined by me do not support this theory. The explanation lies very probably in the fact that even absolute-occupancy tenants rarely mortgage their land, and most of the loans are raised on personal credit.

The relative extent to which agricultural finance is provided by Government, co-operative bank, professional money-lenders and malguzars will be seen from the statistics given in answer to question 5 below. I know of no instances of merchants and dealers giving credit to agriculturists (except for cultivation of lac) and I know of no other organization giving credit.

The amount of grain advances outstanding in any village varies with the season. It is largest before the rice crop is harvested, i.e., in November, and smallest after all the crops are harvested and sold and outstanding advances paid back, i.e., in March and early April. Figures for about 1,500 villages, i.e., three-fourth of the khalsa portion of the district, collected towards the end of October last give an average of 90 khandis per village, worth Rs. 360. On this basis the maximum extent of grain advances for the khalsa portion (2,050 villages) of the district may be estimated to be worth Rs. 7,38,000. The figures collected at attestation give an average of 36 khandis for tenants and 4 khandis for malguzars per village for about 1,560 villages. As the attestation of these villages was spread over the years 1926-27, 1927-28 and 1928-29 and period from November to May in each year, they may be regarded as furnishing a more reliable estimate

MR. C. D. DESHMUKH.

of the normal extent of grain advances for the district. On this basis the normal for the khalsa may be roughly estimated to be about half the maximum indicated above. As the average village has an area of 1,070 acres, 750 of which are occupied at the most the grain outstanding per occupied acre is worth less than 8 annas.

In the best groups of the khalsa 90 per cent of the tenants sow their own seed and in the poorest only 20 per cent have to borrow seed.

QUESTION 2.—Agricultural produce is generally carted by the owners to the nearest ganj for disposal. There are three such on the railway, viz., Raipur, Bhatpara and Dhamtari (branch line). A small proportion of the grain finds its way to the subsidiary markets, i.e., Neora, Kashi, Rajim Arang, Khallari, etc. The balance is brought up by petty dealers, usually from among the agriculturists themselves, who dispose of it in the nearest markets. Even in tracts remote from the railway, e.g., the Phuljhar zamindari, those who own carts prefer to bring their grain into Raipur rather than sell it to the interest representatives of dealers from the towns. In the case of rice, till a few years ago there was very little sale of paddy, but in recent years rice-husking mills have sprung into existence in large numbers, rice in husk is being readily disposed of.

QUESTION 3.—It is difficult to generalize about the value of land, as it differs from village to village and tract to tract. Primarily, it varies with the productivity of the land and the commercial value of the crop it can bear. The pressure of population on the soil is another important factor and a third is the rental pressure, the purchaser being prepared to pay more for a low-rented plot than for a high-rented one of the same fertility. In the open country, where communications are fairly adequate, the proximity of markets does not affect land values materially. That the limited within which land values vary are elastic is proved by the instance of one large estate of 136 villages in which the Bania proprietors recover about twice as much for the land they sell as in the adjoining villages outside the estate. Roughly speaking, values of agricultural land vary from Rs. 30 to Rs. 150 per acre in this district and the average per acre would be in the neighbourhood of Rs. 60. Good rice land is worth about Rs. 75 an acre. Moderately good black soil suitable for rabi Rs. 50 and inferior land suitable for minor kharif Rs. 20.

The values indicated above are for land transferred by private negotiation.

QUESTION 5.—I estimate the total indebtedness of the malguzars and tenants of the khalsa portion of the district consisting of about 2,050 villages to be Rs. 75,00,000. This figure is based on information collected by the land record staff last October. I have examined the procedure followed in collecting these statistics and have reason to believe that the margin of error is not more than 5 per cent.

The following statistics in connection with the figure given above may be of some interest :—

		Rs.
Debt per village	...	3,650
Debt per acre of occupied area	...	5
Value of land per acre	...	60
Ratio of debt to the village assets (i.e., rents, valuation of home-farms and sawai income.	...	4
Debt per plough animal	...	25
Value of one plough animal	...	45
Percentage of tenants free from debt	...	60
Debt per tenant	...	45
Debt per indebted tenant	...	115
Area held per tenant	...	9 acres.
Rent per tenant (after revision)	...	10
		Percentage.
Percentage which debt represents on value of land and stock owned per indebted tenant	...	18
Ratio of debt to rent per tenant	...	4-5
Ratio of debt to rent per indebted	...	11-5

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The total debt of the khalsa portion of district can be classed as follows:—

	Percentage.
(a) Security—Secured	... 23—6 almost entirely by
Unsecured	... 76—4 mortgage.
(b) Source—Government	... 6
Co-operative Societies	... 2—6
Malguzars	... 14—7
Money-lenders	... 82—1
(c) Purpose—Repayment of old loans	... 16—2
Payment of rents and revenue	... 8
Marriages, litigation and ceremonial expenses.	10—4
House building and money-lending.	3—2
Agricultural expenses, e. g., purchase and improvement of land, purchase of seed and stock, etc.	69—4

It is not possible to state without exhaustive enquiries to what extent indebtedness is due to the growth of the debt by compound interest in the case of malguzars. The rates of interest paid by them vary between 9 and 15 per cent. In the case of tenants interest is usually paid fairly regularly and the bulk of the loans are recent ones.

I give below detailed figures showing the indebtedness of tenants and malguzars in three settlement groups the first of which, Palari, is an irrigated group of fertility, the second, Chaurenga, is an unirrigated group liable to suffer from occasional droughts and the third, Kareli, is an unirrigated group not generally liable to famine.

QUESTION 6.—Dozens of rice mills have sprung up in the district in recent years, but they are run by moneyed malguzars and traders and do not help the agriculturists except in the way of providing facilities for disposing of their paddy. It is doubtful if they will do them any real good. From the health point of view their existence is a distinct menace to the country, for in the process of milling by machinery rice loses what little nutrition value it has. Economically they are taking away employment from the smaller cultivators who did a little trading in grain in their spare time. There are colonies of weavers in several villages of the district and some of them have taken to agriculture as a subsidiary occupation. The ordinary agriculturist has no subsidiary occupation except plying carts for hire: trading in grain or oil seeds and casual labour. I am not sure that the average cultivator has much leisure on his hands. In portions of the district where a large proportion of the soil is double cropped or where rabi is important, soon after the paddy is harvested, threshed and taken to the market, viz., the rice mill in these days, the cultivator returns to watch his rabi and early in March the harvesting of the utera crops begins to be followed by that of the pure rabi, e.g., linseed, gram, wheat, etc. Then the time arrives for repairing field embankments and ploughing up the fields if a shower or two is received before the monsoon proper begins. A diligent cultivator utilizes his spare time in the open season, making trips to the Government or malguzari forests for carting fuel and timber and occasionally grass. In the vicinity of Raipur and the other towns the difficulty is not how to find a subsidiary occupation for the cultivators, but how to keep them away from the miscellaneous odd jobs that are always available and make them pay greater attention to their legitimate calling. The Satnami caste in particular is only too ready to neglect agriculture for casual labour. Temporary emigration to industrial centres outside the district, preceded by the sale of all their stock of grain, straw and cattle, has become a matter of routine for many of them. These men return just before the monsoon breaks, buy seed grain and cattle in a hurry and engage in a slovenly agriculture for a few months, only to emigrate once more in the beginning of the open season. Those who lack enterprise are content to find local work to do on the roads, railways and canals.

In my opinion there is a large scope for the expansion of market gardening as a profitable side line to agriculture, but at present this is confined to certain castes, e.g., Marar, Sonkar, Kewat, etc.

MR. G. D. DESHMUKH.

*Statement showing the malguzari debts for the Kareli group
(attested—January 1927.)*

Limits.	Number of malguzars.	Amount.	Grain in khandies.	Percentage.	Remarks.
1	2	3	4	5	6
Rs. 1 to Rs. 500	33	Rs. 6,348	260	19	
Rs. 501 to Rs. 1,000	16	11,920	826	9	
Rs. 1,001 to 2,000	8	12,279	105	5	
Rs. 2,001 to Rs. 5,000	7	24,700	200	4	
Rs. 5,001 to Rs. 7,500	4	24,500	100	2	
Rs. 7,501 to Rs. 10,000	...	...	...	...
Over Rs. 10,000	11	4,54,875	...	6	
Total	79	5,34,622	1,491	45	
Pure grain	1	...	40	1	
Total	80	5,34,622	1,531	54	
Free from debt	92	...	...	...
Grand Total	172	5,34,622	1,531	100	

Statement showing the tenancy debt for the resident tenants only in the Kareli group (attested—January 1927.)

Limits.	Number of tenants.	Amount.	Grain in khandies.	Percentage.	Remarks.
1	2	3	4	5	6
Rs. 10 to Rs. 50	598	Rs. 17,732	1,961	13	
Rs. 51 to Rs. 100	302	24,787	1,645	7	
Rs. 101 to Rs. 200	170	26,542	642	4	
Rs. 201 to Rs. 300	42	10,855	168	1	
Rs. 301 to Rs. 500	46	19,808	348	1	
Rs. 501 to Rs. 750	10	6,177	97	...	
Rs. 751 to Rs. 1,000	6	5,265	109	...	
Over Rs. 1,000	7	10,540	407	...	
Total	1,181	1,21,706	5,377	26	
Pure grain	248	...	3,072	5	
Total	1,429	1,21,706	8,449	31	
Free from debt	3,214	69	
Total	4,643	1,21,706	8,449	100	

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Statement showing the debts of malguzars in cash and kind for the Chaurenga group (attested—April 1928).

Limits.	Number of malguzars.	Amount.	Grain in khandies.	Percentage.	Remarks.
1	2	3	4	5	6
		Rs.			
Rs. 1 to Rs. 500	30	7,095	180	24	
Rs. 501 to Rs. 1,000	7	5,820	...	6	
Rs. 1,001 to Rs. 2,000	10	17,190	...	8	
Rs. 2,001 to Rs. 5,000	16	53,921	444	13	
Rs. 5,001 to Rs. 7,500	8	54,315	...	6	
Rs. 7,501 to Rs. 10,000	1	9,700	...	1	
Over Rs. 10,000	6	2,38,027	...	6	
Total	78	3,86,068	624	64	
Pure grain	...	...	...	...
Total	78	8,86,068	624	64	
Free from debt	46	...	...	36	
Grand Total	124	3,86,068	624	100	

Statement showing the tenancy debt of the resident tenants only of the Chaurenga group (attested—April 1928).

Limits.	Number of tenants.	Amount.	Grain in khandies.	Percentage.	Remarks.
1	2	3	4	5	6
		Rs.			
Rs. 1 to Rs. 50	551	17,474	289	19	
Rs. 51 to Rs. 100	275	22,140	84	10	
Rs. 101 to Rs. 200	127	19,572	35	5	
Rs. 201 to Rs. 300	32	9,031	50	1	
Rs. 301 to Rs. 500	25	10,569	124	2	
Rs. 501 to Rs. 750	6	3,683	...	Nil.	
Rs. 751 to Rs. 1,000	6	5,280	...	Nil.	
Over Rs. 1,000	6	34,850	...	Nil.	
Total	1,028	1,22,599	582	37	
Pure grain	34	...	322	1	
Total	1,062	1,22,599	904	38	
Free from debt	1,807	...	...	62	
Total	2,869	1,22,599	904	100	

Statement showing the debts of malguzars in cash and kind for the Palari group (attested—March 1928).

Limits.	Number of malguzars.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
		Rs.			
Rs. 1 to Rs. 500 ...	59	14,056	60	28	
Rs. 501 to Rs. 1,000 ...	13	10,395	...	6	
Rs. 1,001 to Rs. 2,000 ...	22	35,660	...	10	
Rs. 2,001 to Rs. 5,000 ...	12	38,700	...	6	
Rs. 5,001 to Rs. 7,500 ...	5	29,500	...	2	
Rs. 7,501 to Rs. 10,000 ...	4	38,000	...	2	
Over Rs. 10,000 ...	10	1,91,500	...	5	
Total ...	125	3,57,811	60	59	
Pure grain ...	...	...	...	...
Total ...	125	3,57,811	60	59	
Free from debt ...	88	...	...	41	
Grand Total ...	213	3,57,811	60	100	

Statement showing the tenancy debt for the resident tenants only, in the Palari group (attested—March 1928).

Limits.	Number of tenants.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
		Rs.			
Rs. 1 to Rs. 50 ...	1,110	36,696	377	21	
Rs. 51 to Rs. 100 ...	722	60,286	360	14	
Rs. 101 to Rs. 200 ...	415	65,580	737	8	
Rs. 201 to Rs. 300 ...	136	37,041	273	3	
Rs. 301 to Rs. 500 ...	78	31,921	184	2	
Rs. 501 to Rs. 750 ...	22	14,187	90	...	
Rs. 751 to Rs. 1,000 ...	6	5,270	15	...	
Over Rs. 1,000 ...	6	45,070	...	...
Total ...	2,495	2,96,051	2,036	48	
Pure grain ...	58	...	690	1	
Total ...	3,553	2,96,051	2,726	49	
Free from debt ...	2,702	...	...	51	
Total ...	5,255	2,96,051	2,726	100	

MR. C. D. DESHMUKH.

Statement showing the debts of malguzars in cash and kind for the Palari group.

Limit.	Number of co-sharers.	Amount.	Grain in khandis.	Percentage.	Remarks.
1	2	3	4	5	6
		Rs.			
Rs. 1 Rs. 500 ...	59	14,056	60	28	
Rs. 501 to Rs. 1,000 ...	13	10,395	...	6	
Rs. 1,001 to Rs. 2,000 ...	22	35,660	...	10	
Rs. 2,001 to Rs. 5,000 ...	12	38,700	...	6	
Rs. 5,001 to Rs. 7,500 ...	5	29,500	...	2	
Rs. 7,501 to 10,000 ...	4	38,000	...	2	
Over 10,000 ...	10	1,91,500	...	5	
Total ...	125	3,57,811	60	59	
Pure grain ...	...	...	...	...
Total ...	125	3,57,811	60	59	
Free from debt ...	88	...	...	41	
Grand total ...	213	3,57,811	60	100	

Statement showing the tenancy debt for the resident tenants only in the Palari group.

Limit.	Number of tenants.	Amount.	Grain.	Percentage.	Remarks.
1	2	3	4	5	6
		Rs.			
Rs. 1 to Rs. 50 ...	1,110	36,696	377	21	
Rs. 51 to Rs. 100 ...	722	60,286	360	14	
Rs. 101 to Rs. 200 ...	415	65,580	737	8	
Rs. 201 to Rs. 300 ...	136	37,041	273	3	
Rs. 301 to Rs. 500 ...	78	31,921	184	2	
Rs. 501 to Rs. 750 ...	22	14,187	90	...	
Rs. 751 to Rs. 1,000 ...	6	5,270	15	...	
Over Rs. 1,000 ...	6	45,070	...	...
Total ...	2,495	2,96,051	2,036	48	
Pure grain ...	58	...	690	1	
Total ...	2,553	2,96,051	2,726	49	
Free from debt ...	2,702	51	
Grand Total ...	5,255	2,96,051	2,726	100	

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*Statement of malguzars having debts of more than
Rs. 5,000 of Palari group.*

Serial No.	Serial No. in group.	Name of village.	Name of malguzar.	Debt owing more than Rs. 5,000.	Money lending.	Remarks.
1	2	3	4	5	6	7
1	98	Mohan	Beniram, son of B h a w a i- pratad, Brah- min, Raipur.	Rs. 30,000	Ra. 7,000 and 300 khandis of grain.	Owms 5½ villa- ges more. Debt incur- red for im- proving the land and house hold expenses.
2	51	Salini	Bhune sh w a r- dutta, son of C h h a b i l a l, Ramdatta, son of Umediram and Ram- prashad, son of M o h a n i a l, Brahmin, of Munda.	26,000	500	Owms 2 vill- ages more. Debt incurred for purchas- ing this vill- age.
3	23	Sundraban	Ramnihal, son of Arjunsao, Bani, of Arang.	25,000	40,000	Owms 2 villages more. Debt incurred in m o a e y- l e n d i n g business and for improving the land.
4	22	Kodwa	Chhata ra ingh, son of Kelidas, Motilal, son of M o h a n e i n g h and Must. Tetkibai w/o M a k s u d a n, Kurmi, of Soraw.	22,000	...	Owms 1 village more. Debt incurred for litigation.
5	36	Palari	Sadaram, son of Mohan, Kurmi, resident.	17,000	...	Owms. Re. 0-5-4 share of this village only. Debt incurred for repaying the old debt and for improve- ment.

*Statement of malguzars having debts of more than
Rs. 5,000 of Palari group—contd.*

Serial No.	Serial No. in group.	Name of village.	Name of malguzar.	Debt owing more than Rs. 5,000.	Money lending.	Remarks.
1	2	3	4	5	6	7
6	37	Rasota ...	Shiamlal, Nandlal, Jhumaklal, sons of Prannath, and Pradumanlal, son of Pyarelal, Bani, of Arang.	Rs. 16,000	Rs. 20,000 and 300 khandis of grain.	Own 5 $\frac{1}{2}$ villages more. Debt incurred for business pays income-tax Rs. 94-3-0.
7	96	Khapri ...	Maheshwar, son of Nanheshwar, Brahmin, of Raipur.	16,000	...	Owens 7 villages more. Debt incurred for improving the land and household affairs. Two villages are mortgaged.
8	20	Jarwe ...	Domarsingh, son of Mayaram and Musst. Sahodra, wife of Bahoran, Kurmi, resident.	15,000	1,500	Own Re. 0-0-8 share more and Re. 3-8-0 in this village. Debt incurred for litigation and agricultural use.
9	27	Girra ..	Gajanandsao, son of Keshoram, Vishnuprashad, Samstrilal and Ramsotar, sons of Ramdin, Bani, of Raipur.	13,000	25,000 and 560 khandis of grain.	Own 9 villages more. Debt incurred in money lending business. Pays income-tax Rs. 192-4-0.
10	89	Junwani ...	Madhodsyal, son of Sambhudasyal, Bani, of Chikhli.	1,15,000	1,000 and 200 khandis of grain.	Owens 10 villages more. Debt incurred for household expenses and improving the land.

*Statement of malguzars having debts of more than
Rs. 5,000 of Palari group—contd.*

Serial No.	Serial No. in group.	Name of village.	Name of malguzar.	Debt owing more than Rs. 5,000.	Money lending.	Remarks.
1	2	3	4	5	6	7
11	30	Sindhora ...	Khumansingh, son of Bulwa, Kurmi, of Khartora.	Rs. 10,000	Rs. ...	Owens Re. 0-10-8 share in this village and a good deal of tenancy land in mauzas Khartora and Seja. Debt incurred for purchasing the share of this village and is mortgaged.
12	16	Sandi ...	Rambharsa, Ramratan, sons of Arjunsao, Bani, of Jarwe.	10,000	20,000	Owns 5½ village more and this of Re. 0-5-4. Debt incurred in money lending business and household expenses. Pays income-tax Rs. 61-4-0.
13	90	Gidhpuri ...	R. S. Kamdeo, son of Loknath, Pande, Brahmin, resident.	10,000	1,500	Owens this village and a good deal of tenancy land in mauza Malpuri. Debt incurred for household expenses and for land improvement.
14	36	Palari ...	Jagannathprashad, Kaliram and Baliram, sons of Mohan, Kurmi, resident.	8,000	--	Owens 1 village more and Re. 0-10-8 share in this village. Debt incurred for repaying the old debt and for improvement.

*Statement of malguzars having debts of more than
Rs. 5,000 of Palari group—concl'd.*

Serial No.	Serial No. in group.	Name of village.	Name of malguzar.	Debt owing more than Rs. 5,000.	Money lending.	Remarks.
	2	3	4	5	6	7
				Rs.	Rs.	
15	52	Bansbinori ...	Mansukhlal, Brijbhushanlal and Brijrathanlal, sons of Seoprasad, Bani, resident.	6,300	400 and 400 khandi of grain.	Own 1 village more. Debt incurred for repaying the old debt. Gota big shop at Arang. Pays income-tax Rs. 2,000.
16	50	Dhamni ...	Dularsingh, son of Sudarsansar, Bani, of Naukathi.	6,200	8,000	Owns 2½ villages more. Debt incurred for repaying the old debt and for plough cattle.
17	40	Amera ...	Raruha, son of Thakurram, Marar, resident.	6,000	...	Owns Re. 0-2-0 share in this village only. Debt incurred for purchasing the share of this village and is mortgaged.
18	76	Datrengi ...	Ramratan, son of Mahadeoprasad, Agarwal, Bani, resident.	5,500	...	Owns Re. 0-5-4 share in this village. Debt incurred for litigation.
19	100	Sundri ...	Yudhistar, son of Asaram, Kurmi, resident.	5,500	300 and 30 khandis of grain.	Owns this village and a tenancy land in mauza Sandi. Debt incurred for purchasing this village and is mortgaged.

Statement showing debts of tenants in excess of Rs. 500 in the Palari group.

Serial No.	Name of village	Serial No.	Name of tenants having more than Rs. 500 debt.	Class.	Amount.	Remarks.
1	2	3	4	5	6	7
1	Bohardih ...	84	Narayansingh, Madhosingh, Bhunehwarsingh (ex-mafiguzar) sons of Puransingh; Teksingh, son of Guman Singh Beldar.	D	Rs. 28,000	
2	Charoda ...	77	Pakla, son of Rajaram, Satnami.	A	2,220	To purchase land.
			Umrasingh, son of Narayansingh, Rajpur, Mahajansingh and Hariram, sons of Manbodh, Bisal, son of Banis, Teli.	C	650	For agricultural expense.
				C	600	To purchase land.
3	Sarrah ...	29	Jagannath, son of Bisahu, Kurmi.	B	1,400	To purchase bullocks. Buffaloes Rs. 800 decreed amount Rs. 600.
4	Deosundra ...	9	Hagru, Jhagru and Jhangla, sons of Aararam, Meghnath and Meghu, sons of Jhagar, Marar.	B	1,400	To purchase land.
			Ramchand, son of Sukram, Teli.	B	950	For shop.
5	Bhusda alias Bhawanipur.	79	Ramjiwan, son of Lachhiram, Marwadi.	B	11,000	For shop.
6	Gidhpuri ...	90	Anjordas and Baliya, sons of Sonsei, Satnami.	B	1,050	Old debt.
7	Datan ...	5	Ramratan, son of Shankeprasad, Brahmin.	B	960	For daughter's marriage Rs. 700 and for bullocks Rs. 200.
8	Acholi ...	1	Ramchand, son of Sivnath, Satnami.	C	900	Old debt.

Statement showing debts of tenants in excess of Rs. 500 in the Pallari group—contd.

Serial No.	Name of village.	Serial No.	Name of tenants having more than Rs. 500 debt.	Class.	Amount.	Remarks.
1	2	3	4	5	6	7
9	Kuchi	95	Dayaram and Hiranman, son of Pilu, Brahmin (ex-malguzar).	C poor.	Rs. 890	For household expenses.
			Dhaniram, son of Buddhu, Sudan, Sumeri, Dhan Singh, Sukata and Laloo, sons of Konda, Musat. Dukalhim wife of Buddhu, Satnami.	C	680	To purchase bullocks and buffaloes.
10	Kodwa	18	Nusrullakhan, Habibullakhan, Wahidullakhan, Hamidullakhan, Karimullakhan, and Nabiullakhan, sons of Niyajmir Khan, Musalman.	C	830	...
11	Loriya	57	Baidu, son of Buddu, Satnami.	B	800	To purchase land, seed and bullocks.
12	Bambui	78	Gulal, son of Nandlal and Bannu, son of Dular, Satnami.	C	750	Old debt for bullocks and buffaloes.
			Bhurekhan, son of Alimrakkhan, Musalman.	C	700	Do.
13	Cherkapur	41	Sagan, son of Fagua, Satnami.	C	700	To purchase bullocks Rs. 400, decreed Rs. 300.
11	Kosmandu	43	Rupdas and Buddhu, sons of Sahadeo, Panka.	C poor.	700	To purchase land. Old debt.
15	Sundri	10	Shyamratan, son of Kelwa, Satnami.	C	700	Old debt.
16	Amera	40	Kajoram, son of Dhabu, Marar (ex-malguzar).	C	700	To purchase bullocks.

Statement showing debts of tenants in excess of Rs. 500 in the Palari group—concl'd.

Serial No.	Name of village.	Serial No.	Name of tenants having more than Rs. 500 debt.	Class.	Amount	Remarks.	
1	2	3	4	5	6	7	
					Rs.		
17	Sisdeori ...	25	Jailal, son of Kripa-ram, Bhaktu and Jaidha, sons of Narayan, Kurmi.	B	700	To purchase bullocks and buffaloes.	
18	Sundraban ...	23	Kumwal, Bala and Sukbu, sons of Bakru, Satnami.	C	675	To purchase bullocks.	
			Derha, son of Mahajan, Satnami, (ex-malguzar).	B	600	To purchase bullocks and buffaloes.	
19	Rohasi ...	60	Hari, son of Adhari, Teli.	B	650	For bullocks and buffaloes.	
20	Telasi ...	36	Samelal, son of Adhari, Satnami.	D	632	Old debt to purchase bullocks.	
21	Jarwe ...	20	Parasram, son of Charan, Kurmi.	C	620	To purchase bullocks.	
22	Kbartora ..	15	Parasram, son of Charan, Kurmi.	A	620	Do.	
23	Rewadih ...	97	Bhunidas, son of Bharatdas, Pairagi.	B	600	For litigation.	
24	Gabod ...	19	Bieru, son of Punsao, Kurmi.	C	600	To purchase bullocks.	
25	Amara ...	40	Adhar, son of Dhar, Marar.	B	600	Do.	
26	Deori ...	46	Ghasiram and Kashi-ram, sons of Kapil-sai, Sonar.	A	590	Decreed amount.	
27	Bodu ...	99	Dina, son of Hira-man, Satnami, ex-malguzar.	C	580	Old debt to purchase plough cattle.	
			Sobbit, Ramcheran, Agarband and Pyarelal, sons of Jugal, Satnami.	C	540	To purchase plough cattle.	
					Total	64,527	

Mr. G. D. DESHMUKH.

**MR. LOCHAN PRASAD PANDYA, Malguzar, Balpur,
district Bilaspur.**

Reply to the Questionnaire.

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

QUESTION 1.—(a) The agriculturists in my district obtains finance both in kind and cash from local sowkar. He spends them according to need over seed, weeding out the grass, manure and fodder for cattle.

(b) Very few agriculturists effect improvement in fields which can be called permanent improvement, such as digging of a tank for irrigation, or making of a Bandhiya. For these they take loan either from Government or sowkar. But it goes very hard for such men to repay the debts and they are compelled to sell part of their holdings or they mortgage it again to a new money-lender.

(c) Yes, when season is bad or when there is a marriage or death, the agriculturist is forced to take debt to meet the demands.

Paddy is given on *dedhi* rate. For one khandi of paddy one and a half khandi is taken. *Sawai* rate is also in use in some places.

Rate.—The rate of interest on cash is from two pies per rupee per month to one anna (or even higher) per rupee per month. Compound interest is also charged in many places.

Period.—The period is usually 2 months. Some times it is 9 months also. But the repayment is never in time and in most cases it exceeds the given time.

Security.—In place of interest, some plots of land or some fields are made over to the money-lender who sows them and takes the produce himself. Standing crop is also placed as security in some cases.

Other conditions on loans are that if the loans are not paid in time, the rate of interest may be double or the security may be sold.

From Government *taccavi* is taken, but it is a tedious process and the tenants or malguzars are put to much inconvenience and trouble. I am afraid the process take away 10 per cent of the *taccavi*.

Co-operative societies give loans only to those who are the members of the societies and not to any needy agriculturist. The members of the co-operative societies are very few looking to the bulk of population depending on agriculture. The defects are the high rate of interest. There ought to be a fixed rate of interest, especially for the agricultural class who are in the grip of poverty and starvation, and who are the worst sufferers and are daily losing their small holdings for indebtedness. Efforts must be made to improve the condition of life in Indian villages and this can only be done by safeguarding the lands of the peasants from falling into the hands of greedy banias. Experts in the knowledge of present day indebted, diseased and fear-stricken ignorant peasantry should devise some plan to ameliorate their condition economically.

The effect of taking advance is that the crop is sold cheaper than the bazar rate and the loss is great.

Sale societies and purchase unions in every police station centre should be opened by the district co-operative societies to remove the existing defects and trouble. Government ought to help co-operative banks in founding such institutions. No co-ordination is seen among various credit agencies.

QUESTION 2.—The method of marketing principal crops is the same as it was 20 years ago, i.e., through the agency of the grain dealers who are Marwaris and Kacchia. In this respect also the crop-producers are the losers, while the purchasing agencies are always in profit.

Here is scope for the formation of sale societies. In every town where there is a *ganj* or shops of grain dealers there ought to be committee to help the village people towards judicious and proper sale of their produce. The simple village-people are deceived in many ways by the purchasing agencies whose dealings are not always fair, and who control the bazar rates, which change at their sweet will with the rush of sellers. In the absence of any controlling or

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inspecting authorities either by Government or municipalities the grain merchants are the masters of the local bazars. During purchasing seasons the merchants make certain terms and join together not to compete among themselves. The grain sellers who come all the way from distant places have to yield to their wishes, being helpless as they cannot take back their grains nor do they find a place to stock or deposit them. Good roads leading to and if possible sheds in trade centres should be constructed to help the people in taking advantage of the timely and moderate-priced sale of their agricultural produce. Shed might help them in storing or keeping their grains and commodities for a fair rate bazar.

At present there is not any arrangement for the sale of agricultural produce, whereby the growers might expect good prices. This is a great hindrance to the agricultural class whose welfare depends upon their yearly produce and the economic or good sale of such produce.

QUESTION 3.—The value of land per acre is approximately as given below:—

- Rice Rs. 60 to Rs. 120 per acre.
- Wheat Rs. 80 to Rs. 120.
- Fallow land Rs. 25 to Rs. 50 per acre.
- Sugarcane Rs. 90 to Rs. 130 per acre.
- Mung or Urad Rs. 50 to Rs. 80 per acre.

The difference in price depends upon the situation and condition of the land. A land which is close to a purchaser's field might fetch a little more price. So is the case with the plot below a tank:—

In cases of (a) and (b) the price is lower than in case of (b) or private negotiation.

QUESTION 4.—Yes, there are legal impediments to mortgage *mawusi* land.

There is the greatest need of mortgage banks both in our province and in our district. The working of such banks should be on the lines of successful mortgage banks established in other provinces.

I believe a scheme of land mortgage banks was in 1927-28 under the consideration of the Registrar of Co-operative Societies, Bengal, and had been referred to the Central Banks for an expression of their opinion.

Land mortgage banks which may be established, should aim at freeing the landholders and tenants from debt and of saving their landed property and holding from passing into the hand of others. The banks may try to act as the court of wards do, in cases of talukas and estates and states involved in debts. This will no doubt prove to be tedious process, but without taking recourse to such measures, the sons and grandsons of indebted landlords and tenants cannot be saved from being ruined and reduced to utter poverty. The rules and regulations of such banks may be made after mature considerations of prevailing conditions.

QUESTION 5.—To arrive at a sound estimate of the existing indebtedness, Government ought to make a survey on the lines which may involve least expenses.

It is difficult to give an estimate of indebtedness of a village, or tract or district. But this much is well known that the majority of the landholders and tenants in every village are in the clutches of debt.

To the professional money-lenders the debt is largely due and these people try their best to prolong the payment of debt with a view to disposes the debtors from the landed property. Such men are prepared to offer the highest price for a village or holding because the interests accumulated are in most cases triple or four times the principal. Compound interests are also charged mercilessly and there is no law in the land to save the unfortunate and distressed agriculturists. Government should make such laws as to limit the time of payment of a debt amounting to more than 1,000 rupees. If within three or four years from the taking of the debt no repayment could be made, further interest on the debt should cease to grow. Or as soon as the amount of debt doubles itself, the further claim for interest should become void. Compound interest should be disallowed in the rural areas and among the agricultural classes. This system is playing havoc on the already overburdened peasantry who have to face bad

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season yearly loss of cattle owing to diseases like small-pox, etc., etc. J. Coatsman says: "In innumerable instances a man inherits the debt of his father which keeps him tied to the money-lender and rivets the fetters still more closely." In our district the causes of indebtedness are "Intoxicating drugs"—Ganja or hemp, opium and liquor. In spite of the attempts of the Government and the people, the use of these is daily increasing. Many village headmen have lost their villages for this opium or hemp smoking or drinking habit. These bring all the vices which work the ruin not only of a single individual, but of his whole family—his wife and children—for no fault of theirs. The Government ought to take measures in pronouncing such transactions and debts and loans as unlawful when the takers of such loans cannot remain without taking more than a prescribed quantity of opium, hemp or liquor per day (because they cannot remain in soundness of mind and are influenced by the drugs during the greater portion of day and night) and when by medical examination they are found in bad mental order.

Yes, efficient farmers are being turned into tenants and through the process of the enforcement of the old debts landed properties are passing into the hands of the creditors.

Such passing of landed properties into the hands of the creditors is a very bad sign for the cultivators. Government should try to make such laws to enable such people to retain their ancestral landed properties. The debts may be repaid by instalments by leasing out the lands or villages for a term of three or five years as is done in case of kham villages under court of wards. The village panchayats may be given the power to act as court of wards in such cases.

I know of cases where the wife and children are deadly against taking debts, but the husband cannot be checked from taking loans and squandering them over luxuries and drinking and smoking opium. The local sowkars are heartless in dealing with such idiots as it were, and in time of his need get a bond written by him for double or triple the cash loan they actually give. Sometimes the sowkars induce such idiots to make over to them a plain stamp duly signed by him to be utilized in their own fashion.

QUESTION 6.—No subsidiary industries worth mentioning exist at present Dairy-farming in miniature should be introduced in every village. This will remove the want of milk and ghee of which there is a great dearth in the countryside and without which the health of the village people is getting worse day by day. Production of vegetables should be encouraged in villages. Good and fresh vegetables are not available and this will help the farmers in occupying themselves in slack season.

Charka or "spinning wheel" is a great friend of the poor, and if the cultivators take to it, they are sure to earn something and help the cause of *khadi*, the use of which is sure to improve the economic condition of the users. In the Chandrapur tract and in the Sarangarh and Raigarh States as also in the Phuljhar Zamindari there is a caste of cultivators called Agariyas. Among them spinning is compulsory and they regularly use *khadi*, growing cotton themselves. Their females take to *chakra* and this introduction of *charka* and *khadi* has improved their standard of living. They are as a rule much better off than their neighbours who do not spin. The second useful employment next to *charka* or wheel is "cow-breeding". This will give the villagers milk, ghee, manure and bullocks. It may be introduced as an experimental measure in one village in every tahsil and when it proves useful, the numbers may be increased. 30 to 25 milk cows of country breed will make a good start. One cow may be given to a poor willing tenant or ryot, the total number of ryots possessing such cows will be 30 to 25 in a village. The tenants will graze and feed the cows and use their milk and manure as their own. During harvesting, they will have to pay one-third of the price of the cows to the village union which will replace the cows if they had ceased to give milk by milch cows again. The union may sell those cows which stop giving milk and purchase new milch cows.

One cow will not cost Rs. 40. Thus Rs. $40 \times 30 = 1,200$ will cover the price of a herd of 30 cows. The capital may be of Rs. 1,500. This sum may be collected from 5 or 6 well-to-do sowkars who give loans and debts above Rs. 2,000 each. Interest may be the lowest—like the post office savings bank.

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The management of the union may be entrusted to the malguzar or any intelligent resident of the village. In case the milk cannot be sold to others, the union might purchase it and make it into curd and *ghee*, of which there is a famine in rural areas. In case where there be difficulty in collecting a capital of Rs. 1,500, the work may be started with a capital of Rs. 500 or Rs. 800 on a small scale and the cow-breeding union may have only 10 cows to start with.

Handlooms for weaving cloths will also prove useful in the countryside. But all castes cannot take to weaving.

Part II.—Indigenous Banking.

QUESTION 1.—The mahajans or bankers in this district give loan of corn on *Derha Barkhi* system. In some cases they take *sawai* interest on corn. *Derha Barkhi* means they give one khandi corn and receive one and a half khandis of corn. In *Sawai* they give one khandi and receive one and a quarter khandi.

Interest on money lent is from 6 pies per rupee per month to one anna or sometimes two annas per rupee. This varies according to circumstances.

In towns, the sowkars use hundis and keep deposits also at the rate of 12 annas per hundred.

QUESTION 2.—The indigenous bankers give loan for the purchase of plough-cattle or for doing business in plough-cattle, buffaloes and bullocks. They also lend money for purchasing land or share of a village, but the interest is always high.

- QUESTION 3.**—(a) The capital of small dealers is between Rs. 300 to Rs. 500.
 (b) It is only limited to neighbouring villages.
 (c) Expenses are only moderate.
 (d) They have no connection with Imperial Banks or Joint stock Banks.
 (e) There is no branch of Imperial Bank in our district.

QUESTION 5.—The method of granting loans is by getting a deed, executed from the taker. Such deeds or stamps are duly registered if the sum exceeds the limit. The terms and nature of such loans are such as to entangle the debtor and to force on him a burden of debt which might deprive them of portion of their landed property. Interest on deposits is Rs. 6 to Rs. 10 per cent year.

QUESTION 6.—The rate of interest is from one pice per rupee per month to one anna per rupee per month; on paddy the interest is $1\frac{1}{4}$ on til (oil seed) mung, gram, etc., it is always double. A law should be made to fix these rates of interest on cash and kind to a maximum limit. Those who trespass the rules may be liable to punishment. The reduction of rates of interest is sure to check the growth of indebtedness among agricultural classes.

QUESTION 7.—No prejudice against indigenous bankers is seen. But there is some dissatisfaction against their greedy ways and high rates of interest charged.

The dealings are not always fair. The village panchayat or the local board members may be allowed to examine their *bahi-khatas*, or deeds and stamps when necessity arises. They may give the accounts or copies of the papers when demanded by the takers.

QUESTION 12. It cannot be said that the district possesses such indigenous bankers. But there are some well-to-do persons. And these may be induced to employ their savings in such useful purpose as "breeding of cows" or "milk supply", which is a double blessing on the agricultural classes.

Part III.—The investment habit and attraction of capital.

QUESTION 1.—The banking resources in this province are many and additional amount of capital is also required.

The institutions for encouraging savings and investment habit are co-operative banks, provincial banks, etc. The majority of the village people live from hand to mouth, and it is difficult for them to "care for the morrow" or save something.

Those who are known to make "savings" are Government servants, but the number of such persons is not large.

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QUESTION 2.—The postal cash certificates are popular only in towns, not in villages. The village people have not yet learnt the use of the savings bank". Only educated persons and Government servants who can afford to save something make "deposits" in savings banks.

Every village should open a savings bank for its tenants and during harvesting something must be deposited thereby those who can well afford to do so. Spread of education among the masses and the control of hemp and opium smoking and liquor-drinking are sure to help the people towards forming a habit of making a saving.

QUESTION 3.—Tendency towards hoarding is a natural one in every rational man. But Chhattisgarh is comparatively poor both in mind and money. People of this division lack in public spirit and foresight. They are still grouping in the dark and prejudice and narrowness of ideas have full hold over them. Had there been rich people—rich in the real sense of the word—they would not have neglected to raise subscriptions among themselves to open an Arts College at Raipur and thus to remove a long felt want of their own-backward and neglected division.

In other provinces examples are not wanting where a single poor man whom fortune did favour has donated lakhs of rupees for starting a college for the education of the future generations. Richness has left this division in making good use of money, because pooriness in spirit overshadows it. An educational institution in form of a college is a sign of the money-hoarding habit of the people and their leaders.

QUESTION 4.—Yes, the use of vernacular script in banking should be encouraged. The use of the vernacular script is of great benefit to the masses.

QUESTION 5.—Schools of Handicrafts should be opened by the Government in different centres, with a view to help the people to learn how to add to their income by productive undertakings.

**MR. RAMLAL SAO GUPTA, Banker and Malguzar, Mungeli,
district Bilaspur.**

Reply to the Questionnaire.

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

QUESTION 1.—(a), (b) and (c). An agriculturist obtains finance from indigenous bankers, Government and co-operative banks.

The rates of interest charged are from Rs. 6 to Rs. 36 per cent per annum.

The period of the loan is generally one year and the nature of security given and accepted is mortgage of land or standing crops through the instrument of a stamp.

The agriculturists in this district get help through indigenous bankers, co-operative bank and Government.

The total amount of capital required for the various purposes in the district would be about Rs. 25 lakhs.

Grain advances in this district are given on condition of their return with 50 or cent per cent profit.

QUESTION 2.—The present method of marketing crops in the district is that the rural agriculturists or malguzars can sell their crops when they are ready during the dry season only. In the rainy season though the rates are high they cannot be taken advantage of. The agency for marketing of crops is Marwari and Kachhi merchants only. These agriculturists having no facilities to know the prevailing rates they cannot get proper price for their produce.

For internal remittances hundis are in use, but their use is confined to the business line only.

QUESTION 3.—In this district the value of land per acre for different kinds of crops is from Rs. 20 to Rs. 200.

QUESTION 4.—In this district there are no banks and there is no other provision for long-term credit except the indigenous bankers.

QUESTION 5.—It is my estimate that 70 per cent of the agriculturists and malguzars in this district are indebted and the total amount of this indebtedness of these classes is nearly one crore of rupees.

The purposes for which the debt was incurred are:—famine and other kinds of distress, want of improvements in agriculture and consequent absence of any produce, dearthness of the cost of bullocks required for agricultural purposes, extravagance in marriage and other social occasions.

This debt is largely due to professional money-lenders.

QUESTION 6.—In this district and division there are such industries as rice milling, flour mills and sugar factories.

Part II.—Indigenous Banking.

QUESTION 5.—The indigenous bankers' methods of granting loans in this country, province and district are—

- (1) On mortgage of property.
- (2) On mortgage of ornaments of gold and silver.
- (3) On personal credit of debtors.
- (4) On grain stores.
- (5) On stamps.

The stamps are more in vogue. The period for which cash credits are given is generally one year.

The rates of interest allowed by these bankers on deposits received by them is 8 annas per cent. But payment of such interest is not a matter of course. It depends more or less on the necessity of the receiver and the depositor.

QUESTION 10.—The indigenous banks and bankers are able to meet all demands for accommodation.

QUESTION 12.—The indigenous bankers have large amounts of money which does not find employment throughout the year.

Part III.—Investment habit and attraction of capital.

QUESTION 5.—The branch opened by the Imperial Bank of India is working properly and affords great benefit to the public, but there is no help to people by co-operative bank.

MR. RAMLAL SAO GUPTA,

**RAI BAHADUR CHHOTELAL VERMA, Settlement Officer,
Bilaspur khalsa.**

Reply to the Questionnaire.

It will appear from the enclosed statement showing the indebtedness of malikan-makbuza and tenants holding more than 2 acres of land each in the khalsa of the Mungeli tahsil and of 6 groups out of 7 in the khalsa of the Bilaspur tahsil so far rent-rated, that 62 per cent in the former tract and 63 per cent in the latter are free from debt, and only 8 per cent owe sums over Rs. 100 each. The district had 8 good harvests in succession, and the burden of debt in consequence is considerably light. Indebtedness is remarkably light in the jungly villages.

Loans are obtained by agriculturists from malguzars and big and substantial tenants who have taken to money-lending as a subsidiary occupation, and to a small extent from professional money-lenders, and in the Bilaspur and Janjgir tahsil from the co-operative banks. Government provides a small share of the financing, as the Settlement Officer, Raipur, puts it.

Loans of tenants are generally unsecured, because transfers of occupancy holdings by mortgage and sale with the consent of the malguzar, who charge a cash premium ranging generally between 25 and 100 per cent of the price of the land are of common occurrence in the district in spite of the limitations imposed by the Tenancy Law and any money-lender who advances a loan is often sure of getting a part of the borrower's holding in satisfaction of his debt, if unpaid. Land is also sometimes sublet for a number of years in lieu of interest or the capital and interest both.

For small sums say, up to Rs. 50, the usual rate of interest is 1 pice to 2½ pice per rupee per month, but for bigger items it varies from 12 to 24 per cent per year, according to the credit the borrower has. Small debts are repaid within three or four years, but the period of repayment is longer in the case of big items.

Generally speaking, the Chhattisgarh is not lavish in his expenditure on marriages and social and religious ceremonies and big items of loan are mostly for purchase of land and trade, but the indebtedness is mainly due to cattle mortality, which is simply appalling in certain parts of the district.

Grain loans are borrowed from the malguzar and big tenants usually in summer and rainy season for agricultural expenses and feed. The rate of interest is generally 2 per cent or *sawai badhi*, and in rare cases 50 per cent or *dedhi dadhi*. These loans are often repaid after each harvest. More than 90 per cent of the tenants sow their own seed.

The agricultural produce is carted to centres of trade, e.g., Mungeli in the Mungeli tahsil, and Takhatpur, Bilaspur and other railway stations in the Bilaspur tahsil, where there are colonies of traders. Small tenants, however, prefer to dispose of their produce locally to petty dealers and others who wander about from village to village and from market to market which abound in the district. Rice is generally sold in husk, which is unhusked at a number of rice mills which have recently sprung up at all important railway stations of the Bengal-Nagpur Railway in the district. These mills generally belong to capitalists and others.

Land in this district is valuable, firstly, because the district has shared in the general rise in prices, and secondly, because the pressure of population on the land is heavy, the density per square mile of the occupied area being about 350. The statistics of prices and leases of land are given in a statement appended. It will be seen from those figures that the ratio of rent to the price and consent money together being 73 and 58, in the Mungeli tahsil and in the Bilaspur tahsil for land held in absolute-occupancy and occupancy rights, respectively. The prices for village shares are on an average 80 times the land revenue demand of the shares sold in the Mungeli tahsil and 125 times in the Bilaspur tahsil.

In a district like Bilaspur, where the opportunities for agricultural operations are limited only to a part of the year, on account of a large area being devoted to only one crop, paddy and the pressure of population falling heavy on land, small tenants, whose number is fairly large, take to various other occupations in the non-working season; these residing in the proximity of Government and

RAI BAHADUR CHHOTELAL VERMA.

zamindari forests engage themselves in extracting and carting forest produce; others find employment on the Irrigation works and Public Works Department roads; some do carting of grain; while the more adventurous Satnami emigrates temporarily after each harvest to Calcutta, Kalimati and other centres of trade, to obtain the best market for his labour and returns with the beginning of the year to resume agricultural operations. It is not an uncommon sight to see villages denuded of a large part of their population during January, February, March, April and May each year, on account of the temporary exodus.

The only industry in the district is the manufacture of shellas at three places, a match factory at Kota, weaving of kosa silk and coarse cotton cloth, manufacture of banglis, utensils of bell-metal and biris, but no where is labour engaged on a large scale.

Market-gardening is done here on a small scale, the attraction to such gardening being the alluvial deposits on the banks of the several rivers which rise in the northern uplands and traverse the khalsa of the district.

LAND VALUES.
Bilaspur khalsa.

Raj Bahadur Chhotela, Verna.

Serial No.	Name of group.	Malik-makbuza land.			Absolute-occupancy land.				Occupancy land.				Leases by malguzar.		
		Area.	Revenue.	Price.	Area.	Rent.	Consideration.	Consent money to malguzar.	Area.	Rent.	Consideration.	Consent money to malguzar.	Area.	Rent.	Premium.
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	<i>Mungeli tahsil.</i>														
1	Bandhi ...	...	...	...	...	...	...	...	203	133	4,608	1,774	176	118	1,620
2	Laxmi Jhpal	12	18	968	206	171	12,036	1,260	833	682	33,720	9,968	446	443	14,919
3	Khera Kodwa...	32	28	2,666	125	106	7,396	854	505	459	24,883	5,694	503	496	30,525
4	Bhatgaon ...	68	58	4,682	153	143	10,049	1,023	606	542	30,909	4,810	300	325	18,251
5	Chhatan Paoni	39	32	1,936	136	115	5,255	337	540	485	14,670	1,018	1,309	1,290	33,543
6	Patharia Sar- gaon.	55	50	3,326	264	226	15,653	1,697	1,068	960	52,564	5,621	759	738	32,362
	Total ...	206	186	13,578	884	761	50,389	5,171	3,755	3,261	1,61,354	28,885	3,493	3,410	1,31,220
							55,560 73 Ratio.				1,90,239 58 Ratio				

<i>Bilaspur tahsil.</i>															
7	Malhar ...	...	...	...	7	10	1,163	105	393	316	28,258	7,761	404	231	23,258
8	Bilaspur ...	47	54	5,162	84	84	7,228	1,576	1,587	1,431	97,854	27,129	825	835	61,055
9	Takhatpur ...	27	27	1,782	106	96	8,165	1,907	1,019	891	43,397	11,475	539	549	32,007
10	Ratanpur ...	75	74	6,221	55	58	3,975	1,039	409	397	19,383	6,175	244	221	10,644
11	Bejepur Ram- gson.	12	12	1,308	84	83	7,910	2,440	1,022	793	39,069	13,393	532	502	22,723
12	Masturi ...	10	10	1,107	83	72	7,153	896	936	879	61,902	14,750	476	471	29,097
	Total ...	171	177	15,580	419	403	35,594	7,963	5,366	4,707	28,98,63	80,686	3,020	2,809	1,78,784
							43,557				3,70,549				
							108 Ratio.				79 Ratio.				

Statement showing indebtedness of tenants, Bilaspur khalsa.

Serial No.	Limit of debt.	Rs. 1 to Rs. 50.		Rs. 51 to 100.		Rs. 101 to 200.		Over Rs. 200.		Pure grain.		Free from debt.	
		Total number of tenants.	Cash.	Total number of tenants.	Cash.	Total number of tenants.	Cash.	Total number of tenants.	Cash.	Total number of tenants.	Grain in khandis.	Number of tenants.	Total number of tenants.
1	2	3	4	5	6	7	8	9	10	11	12	13	14
	<i>Mungeli tahsil.</i>		Rs.		Rs.		Rs.		Rs.				
1	Bandhi ...	86 11%	2,512	42 6%	3,505	16 2%	2,509	11 1%	4,034	36 5%	212	587 75%	778
2	Laxmi Jhapal ...	548 15%	16,470	300 8%	24,594	171 5%	27,415	87 2%	37,057	116 3%	1,232	2,409 67%	3,631
3	Bhatgaon ...	429 16%	12,760	263 10%	20,967	118 4%	18,886	75 3%	25,560	108 4%	1,872	1,721 63%	2,714
4	Khera Kodwa ...	634 17%	19,086	349 9%	38,399	206 5%	32,912	142 4%	55,320	103 3%	591	2,327 62%	3,761
5	Chhatan Paoni ...	514 18%	16,292	352 12%	29,265	186 6%	28,770	111 4%	55,694	91 3%	707	1,678 57%	2,932
6	Patharia Sargaon ...	958 19%	28,461	541 11%	43,172	263 5%	41,433	170 3%	75,474	153 3%	1,846	3,043 59%	5,128
	Total ...	3,169	95,581	1,847	1,59,902	960	1,51,925	596	2,53,139	607	6,600	11,765	18,944

Raj Bahadur Chhotia, Verma.

<i>Bilaspur tahsil.</i>													
7	Malbar	702 15%	20,440	430 9%	35,133	217 5%	34,638	104 2%	49,914	296 6%	2,738	2,867 63%	4,616
8	Takhatpur	1,000 18%	30,009	502 9%	40,048	282 5%	33,015	162 3%	19,246	284 5%	4,061	3,279 60%	5,509
9	Bilaspur	1,360 16%	42,018	939 11%	77,171	389 5%	61,841	259 3%	1,13,918	282 4%	4,326	5,102 61%	8,331
10	Ratanpur	499 16%	15,841	377 12%	30,962	190 6%	26,295	109 4%	86,246	144 5%	2,416	1,772 57%	3,091
11	Bljapur Ramgaon	713 12%	22,399	474 8%	33,008	223 4%	35,357	148 2%	74,493	274 4%	4,361	4,228 70%	6,060
12	Masturi	877 15%	27,078	527 9%	42,055	318 5%	48,172	167 3%	77,572	323 5%	6,106	3,785 63%	5,997
Total		5,151	1,57,785	3,249	2,63,377	1,619	2,39,318	949	4,21,389	1,603	24,008	21,033	33,604

**MR. T. C. S. JAYARATNAM, I.C.S., Settlement Officer,
Zamindaris, Bilaspur.**

Reply to the Questionnaire.

These answers refer to the northern zamindaris of the Bilaspur district known as the Satgarh Zamindaris—a backward tract inhabited by Kanwars, Gonds, Bhainas, Dhanuhars, Mahjhwars and other aboriginal tribes. There are also, of course, several villages occupied by Hindu cultivating castes, principally Telis and Kalars, but these answers refer mainly to the agricultural indebtedness of the aboriginals.

2. From the statement of indebtedness of each zamindari it will be seen that the incidence of indebtedness is surprisingly low. For example, in the Korba Zamindari, which is rapidly developing estate, 83 per cent of the tenants are free from debt and the cash debt per tenant is Rs. 10 and grain 4 khandis of rice. This is due primarily to lack of credit. All tenancy land is held in occupancy right and mortgages are therefore uncommon.

3. In the most backward villages new and struggling tenants obtain seed from the village headman or gaontia. This is generally given without interest, but the tenant is expected to work in the gaontia's home-farm and is generally subservient to him. The next step is the advent of the petty trader who is generally a Musalman, Banjara-Naik, Kalar or Bani Pathan or Punjabi money-lenders and dealers in ready-made clothes are also found in remote tracts. The petty trader generally has a beat of several villages. He advances money against the lac crop generally a few months ahead. From actual dealings I worked out that the trader generally gets a return of 25 per cent on his advance during a period of three months. Another crop against which advances are frequently given is sarso or mustard. Here too the debt is liquidated at rates which bring in the trader 25 per cent of his advance in addition to the profit which he makes on the resale of the commodity. When the trader settles down in a village he makes advances on what he called "gahin" of the best fields in a tenants holding. The debt is supposed to be repaid by the transfer of cultivating rights in the fields for a period of years. Usually, the tenant loses the fields altogether. I know of one Bani, who sold a coat for Rs. 4 to a Manjhar on credit, the security being about 5 acres of good rice land. The tenant eventually lost his fields over this transaction. I did not find Pathan money-lender unpopular, because apparently they lend money without security and do not hold a lien on a cultivator's land.

4. The final stage is when a Bani or Kalar money-lender settles in a village acquires land and lends out money in a large circle of villages. He lends against the security of any kind of grain. Loans are repaid in kind and this constitutes the stock in trade of the money-lender. In Pendra large advances are made against rice, wheat, mustard and tilli. Loans for improvements are rare. The bulk of the loans are for expenses of cultivation and marriages. Grain advances are given on *dedhi*, i.e., $1\frac{1}{2}$ times, the seed lent is returned. Money interest is generally one anna in the rupee per month. There are a few co-operative societies, chiefly in Pendra, but these are hardly worth notice, taking the tract as a whole.

5. The money crops are sarso, tilli and other oil seeds. These are brought up in the villages by itinerant traders generally at 75 per cent of the price prevailing in the trade centres. Lac is also bought at prices considerably below the market rate. Barter of lac for rice, salt and gur is common. Proper marketing facilities will bring in at least 25 per cent more money to the cultivator.

6. Land has little cash value in remote villages. In the better settled villages Rs. 25 to Rs. 40 an acre have been paid per acre of good rice land.

7. Subsidiary industries are cotton weaving by Pankas, kosa silk weaving by Koshtas. The aboriginals collect and sell Tendu leaves, Mahuwa, harra, and other

minor produce to Zamindari contractors. Numerous tenants cart bamboo and timber to khalsa bazars like Bilaspur and Champa and earn Rs. 4 to Rs. 5 a trip. Work is also found in the jungles where felling of timber goes on.

8. Roughly, the financing of these aboriginal tenants is solely in the hands of outside speculators. There is no controlled organization for marketing produce or for advancing working expenses. Zamindars take little or no part although one of these advances small sums at 25 per cent interest. The old system of the headman advancing seed is gradually dying out and the whole business is now concentrated in the hands of professional money-lenders who have settled at various centres in the interior.

9. The figures given in the debt statements for each estate contain all necessary details. There are, of course, no malguzars in zamindari villages and the headmen are generally of the status of tenants.

Statement showing the tenancy debt of Kanteli zamindari.

Limit of debt.	Number of tenants.	Debt.		Remarks.
		Cash.	Grain in khandia.	
1	2	3	4	5
		Rs.		Per cent.
Rs. 1 to Rs. 100	389	18,870	2,702	39
Rs. 101 to Rs. 200	72	11,615	685	7
Rs. 201 to Rs. 300	14	3,509	189	1
Rs. 301 to Rs. 500	17	6,941	109	2
Rs. 501 to Rs. 750	4	2,610	60	1
Rs. 751 to Rs. 1,000	1	900	...	...
Over Rs. 1,000	2	2,650	63	...
Total	499	47,095	3,808	...
Pure grain	115	...	739	11
Total	614	47,095	4,547	...
Number of tenants free from debt.	387	...	...	39
Grand total	1,001	47,095	4,547	100

Statement showing the tenancy debt of Pandaria zamindari.

Limit of debt.	Number of tenants.	Debt.		Remarks.
		Cash.	Grain in khandis.	
1	2	3	4	5
		Rs.		Per cent.
Rs. 1 to Rs. 100 ...	1,991	82,086	3,556	23
Rs. 101 to Rs. 200 ...	354	41,926	546	4
Rs. 201 to Rs. 300 ...	83	21,991	579	1
Rs. 301 to Rs. 500 ...	40	16,664	174	1
Rs. 501 to Rs. 750 ...	10	6,510	47	...
Rs. 751 to Rs. 1,000 ...	8	7,190	11	...
Over Rs. 1,000 ...	24	70,000	50	...
Total ...	2,510	2,46,367	4,963	...
Pure grain ...	577	...	3,182	7
Total ...	3,087	2,46,367	8,145	...
Number of tenants free from debt.	5,386	..	...	64
Grand Total ...	8,473	2,46,367	8,145	100

Statement showing the tenancy debt of Kenda zamindari.

Limit of debt.	Number of tenants.	Debt.		Remarks.
		Cash.	Grain in khandis.	
1	2	3	4	5
		Rs.		Per cent
Rs. 1 to Rs. 100 ...	402	18,663	2,994	15
Rs. 101 to Rs. 200 ...	46	7,219	323	2
Rs. 201 to Rs. 300 ...	12	3,155	178	...
Rs. 301 to Rs. 500 ...	15	5,844	189	...
Rs. 501 to Rs. 750 ...	8	4,892	672	...
Rs. 751 to Rs. 1,000 ...	5	4,659	...	...
Over Rs. 1,000 ...	4	9,402	...	...
Total ...	492	53,834	4,356	...
Pure grain ...	320	...	6,872	12
Number of tenants free from debt.	1,948	...	..	71
Grand total ...	2,760	53,834	11,228	100

Statement showing the tenancy debt of Pendra zamindari.

Limit of debt.	Number of tenants.	Debt.		Remarks.
		Cash.	Grain in khandis.	
1	2	3	4	5
		Rs.		Per cent.
Rs. 1 to Rs. 100	1,811	53,751	2,644	17
Rs. 101 to Rs. 200	145	22,050	914	2
Rs. 201 to Rs. 300	44	12,068	15	...
Rs. 301 to Rs. 500	31	12,567	92	...
Rs. 501 to Rs. 750	7	6,944	10	...
Rs. 751 to Rs. 1,000	11	9,375	...	...
Over Rs. 1,000	11	17,720	150	...
Total	2,060	1,34,475	3,825	...
Pure grain	293	...	2,397	8
Total	2,353	1,34,475	6,222	...
Number of tenants free from debt.	8,362	...	...	78
Grand total	10,715	1,34,475	6,222	100

Statement showing the tenancy debt of Motin zamindari.

Limit of debt.	Number of tenants.	Debt.		Remarks.
		Cash.	Grain in khandis.	
1	2	3	4	5
		Rs.		Per cent.
Rs. 1 to Rs. 100	247	8,687	176	11
Rs. 101 to Rs. 200	14	2,340	4	1
Rs. 201 to Rs. 300	4	1,200	...	...
Rs. 301 to Rs. 500	7	1,044	...	...
Rs. 501 to Rs. 750	3	1,880	...	...
Rs. 751 to Rs. 1,000	1	1,000	...	...
Over Rs. 1,000	2	3,250	...	...
Total	278	19,401	180	...
Pure grain	58	...	286	2
Total	336	19,401	466	...
Number of tenants free from debt.	2,008	...	...	86
Grand total	2,344	19,401	466	100

MR. T. C. S. JAYARATNAM, L.C.S.

Statement showing the tenancy debt of Lapha zamindari.

Limit of debt.	Number of tenants.	Debt.		Remarks.
		Cash.	Grain in khandis.	
1	2	3	4	5
		Rs.		Per cent.
Rs. 1 to Rs. 100	87	3,908	488	4
Rs. 101 to Rs. 200	5	788	54	...
Rs. 201 to Rs. 300	...	...	...	...
Rs. 301 to Rs. 500	1	500	...	...
Rs. 501 to Rs. 750	1	560	...	...
Rs. 751 to Rs. 1,000	...	...	...	...
Over Rs. 1,000	11	2,500	...	...
Total	95	8,261	542	...
Pure grain	115	...	1,883	4
Total	210	8,256	2,425	...
Number of tenants free from debt.	2,419	...	...	92
Grand total	2,629	8,256	2,425	100

Statement showing the tenancy debt of Uprora zamindari.

Limit of debt.	Number of tenants.	Debt.		Remarks.
		Cash.	Grain in khandis.	
1	2	3	4	5
		Rs.		Per cent.
Rs. 1 to Rs. 100	69	1,885	305	6
Rs. 101 to Rs. 200	6	993	4	1
Rs. 201 to Rs. 300	6	1,576	...	1
Rs. 301 to Rs. 500	5	1,944	4	...
Rs. 501 to Rs. 750	...	...	...	...
Rs. 751 to Rs. 1,000	1	900	...	...
Over Rs. 1,000	...	...	...	...
Total	87	7,298	313	...
Pure grain	47	...	440	4
Total	134	7,298	753	...
Number of tenants free from debt.	1,033	...	...	88
Grand total	1,167	7,298	753	100

Statement showing the tenancy debt of Korba zamindari.

Limit of debt.	Number of tenants.	Debt.		Remarks.
		Cash.	Grain in khandia.	
1	2	3	4	5
				Per cent.
Rs. 1 to Rs. 100	1,146	Rs. 49,033	4,536	9
Rs. 101 to Rs. 200	171	28,028	447	1
Rs. 201 to Rs. 300	57	15,476	130	1
Rs. 301 to Rs. 500	45	19,128	23	...
Rs. 501 to Rs. 750	10	6,355	...	...
Rs. 751 to Rs. 1,000	5	4,525	420	...
Over Rs. 1,000	10	20,650	...	...
Total	1,444	1,43,195	5,556	...
Pure grain	832	...	9,836	6
Total	2,276	1,43,195	15,392	...
Number of tenants free from debt.	10,954	...	...	83
Grand total	13,230	1,43,195	15,392	100

Statement showing the tenancy debt of Chhuri zamindari.

Limit of debt.	Number of tenants.	Debt.		Remarks.
		Cash.	Grain in khandia.	
1	2	3	4	5
				Per cent.
Rs. 1 to Rs. 100	253	Rs. 9,991	513	6
Rs. 101 to Rs. 200	34	5,152	10	1
Rs. 201 to Rs. 300	18	4,785	62	...
Rs. 301 to Rs. 500	8	3,210	...	...
Rs. 501 to Rs. 750	3	1,925	...	...
Rs. 751 to Rs. 1,000	5	4,600	...	...
Over Rs. 1,000	3	12,100	...	...
Total	324	41,763	585	...
Pure grain	234	...	2,172	6
Total	558	41,763	2,757	...
Number of tenants free from debt.	3,675	...	...	87
Grand total	4,233	41,763	2,757	100

MR. T. C. S. JAYARATNAM, I.C.S.

Statement showing the tenancy debt of Champa zamindari.

Limit of debt.	Number of tenants.	Debt.		Remarks.
		Cash.	Grain in khandis.	
1	2	3	4	5
		Rs.		Per cent.
Rs. 1 to Rs. 100	1,229	60,947	3,234	27
Rs. 101 to Rs. 200	236	36,993	759	5
Rs. 201 to Rs. 300	73	19,868	408	2
Rs. 301 to Rs. 500	40	16,666	140	1
Rs. 501 to Rs. 750	12	7,574	49	
Rs. 751 to Rs. 1,000	5	4,506	475	
Over Rs. 1,000	12	26,010		
Total	1,607	1,72,564	5,056	
Pure grain	344		3,447	8
Total	1,951	1,72,564	8,503	
Number of tenants free from debt.	2,618			57
Grand total	4,569	1,72,564	8,503	100

**MR. NARAYAN PRASAD, Agriculturist, Baloda Bazar,
district Raipur.**

Reply to the Questionnaire.

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

QUESTION 1.—The agriculturists in the district obtain finance from the following sources:—

- (a) For expenses during cultivation from the indigenous bankers, malguzars, co-operative banks or by taccavi.
- (b) For capital and for permanent improvements from the indigenous bankers.
- (c) For other special needs, i.e., failure of monsoon, etc. From the indigenous bankers by the sale of cattle and hypothecation or sale of ornaments.

The rates of interest vary from Rs. 2 to Rs. 3 per cent per mensem. For small amounts the rate of interest is more. The period for which advances are made is generally not more than a year. The security of standing crops is seldom accepted. The debts are generally advanced to persons who can offer some immovable property as security or who can produce persons holding such property as surety and on the mortgage of land.

For agricultural finance loan is obtained from Government, co-operative banks, indigenous bankers or malguzars. The taccavi loan is advanced in very small sums. Co-operative banks do not advance money to individuals, but to a group of ten and the process of sanctioning it takes three months. The money-lenders do not advance loan without any immovable property or good surety, they charge interest at whatever rate they like and besides in such cases the sureties also have to be paid something by way of commission. The malguzars charge a heavy rate of interest and their object in giving out loans is generally to deprive cultivator of his land.

Sixty per cent of the agriculturists in this district being indebted, it is difficult to give an estimate of the extent of their indebtedness.

The grain advances in this district are given on condition of their repayment by 50 per cent more, i.e., in one year $1\frac{1}{2}$ khandi of grain has to be returned for an advance of one khandi.

There are defects in the present system and their reason is that the agriculturists have no right of any kind in their land. This causes great difficulties in the way of getting loans.

The agriculturists are compelled to sell their crops as soon as they are ready although they may not fetch good price then, for the repayment of the loan advances taken by them, because the money-lenders fix the date of repayment at such periods only.

This defect can be remedied by giving the agriculturists the right of ownership and the reduction of the rate of interest to Re. 1 per cent simple interest by necessary enactment in that behalf.

QUESTION 2.—The present method of marketing crops in the district is by taking them to the gunj or bazar for sale. Petty merchants go to the villages for making purchases.

QUESTION 3.—In this district the land is divided in three kinds, viz., khabaha, Unharia and kodaha (these names are indicative of the crops the land produce), of these the Dhanaha, double yield land, is sold for Rs. 40 to Rs. 100 per acre, while the same land of one yield is sold for Rs. 30 to Rs. 80 per acre. The Unharia land is sold from Rs. 2 to Rs. 6 per acre, while the Kodaha mata from Rs. 10 to Rs. 30 per acre. This is possible only when the malguzar allows the agriculturists to sell his land in which case the seller has to pay to the malguzar a minimum one-fourth and the maximum of one-half of the sale-proceeds by way of his nazrana. The value of land depends on its yielding capacity. In villages where there are some other industries side by side, the land fetches a fair price.

- (a) Government auction for non-payment of revenue seldom arises.

MR. NARAYAN PRASAD.

(b) The value of land is the event of sale by court decree. If the land to be sold is small in acre, it fetches good price, because the number of purchasers is large, and if the land is big in acre, it fetches little price owing the number of purchasers being small.

(c) For purchase of land by private negotiations the malguzars permission is necessary. If the land is low in quality, such a permission is readily granted in which case the seller has to pay the malguzar by way of his nazrana from one-fourth to half of the sale-proceeds of the land. For the sale of good quality of land to others the malguzar does not give his consent. He himself takes the land for whatever price he may be pleased to offer. He either keeps the land for himself or sells it out for proper price and thus derives benefits in the transaction.

QUESTION 4.—Only absolute-occupancy land can be mortgaged. But the transactions do not take place easily owing to Registrar's clerks playing mischief. Occupancy holdings cannot be mortgaged.

In our district there are no institutions for the provision of long-term credit. If the agriculturists are given the right of mortgaging their land, the difficulty in the way of obtaining long-term credit would be obviated.

(a) If the patwari finds any difference in the record of rights, he should at once call on the agriculturists for an explanation. He should make a record of it in the remarks column of the khasra book and keep a copy of the explanation. The explanation of the agriculturist should be attested by two witnesses. In the event of any registration in respect of agricultural land, an intimation thereof should forthwith be given to the patwari who should make the necessary entries in the registers of khasra and jamabandi. He should keep a record of such an intimation received from the Registrar's office.

(b) The details of debt in the form of preliminary decree should be kept with the arbitrators to be appointed by the mortgagor with a view to paying it within six months. If the arbitrators think that the six months' time-limit is not enough for the liquidation of the debt, more time should be granted.

(c) There should be a reduction of cost in all respects.

**MR. M. L. GUPTA, Honorary Secretary, District Bank,
Limited, Drug.**

Reply to the Questionnaire.

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

QUESTION 1.—(a) Cultivators who have rich relatives obtain loan from them and they are not required to pay any interest or only pay nominal interest. Others have to obtain loan on a high rate of interest. Those whose status is bad are required to mortgage their property and are required to pay less interest. Some agriculturists are required to mortgage their standing crops with condition to sell it at a cheap rate to the mortgagee. Small traders have to make a contract of selling their articles to bankers at cheap rates.

(b) As the amount required for such purposes is large, an agriculturist has to mortgage his property. Some take taccavi.

(c) For permanent improvements he obtains loan from bankers or else he sells his property.

(2) The rates of interest vary from Re. 1 to Rs. 6-4-0 per cent per month. A small amount is advanced without surety, but for larger amounts one has to give surety, mortgage property or crops. Those who cultivate themselves sometimes make a contract about their service. The rate of interest charged on small sums by the *kaubis* is 1 anna per rupee per month.

(3) They take assistance by means of taccavi, — co-operative banks and especially from indigenous bankers. In cities they approach merchants and agents.

(4) There are very few agriculturists who take grain advance for *kharif* and those who do have to repay it one and quarter or half times. *Rabi* seed is borrowed from 25 to 50 per cent *barki*. They also purchase it in cash. The seed is usually purchased at the time of sowing when grain is dear and is returned at harvest time when the price has fallen. Although they have to pay grain *barhi* 25 to 50 per cent, it almost comes to the same interest as cash is taken on loan. According to the existing system good seed is not advanced. It is also not given at proper time; the bankers stock grain received from their many clients. If cultivators take money in advance, their crop is sold at a less price. If they can get money to maintain themselves, they can store seed. If the Agricultural Department were to make arrangements, they can get good seed to their advantage.

QUESTION 2.—(i) There are merchants in every three or four villages who purchase grain, but those who have carts take their produce to market places.

(ii) Under the present circumstances it is very difficult to make an effort for sale of grain on co-operative basis. The grain is at present transported by means of carts and it is satisfactory.

(iv) Steamships and the railways are the only means for import and export to foreign countries.

(v) The assistance taken in this respect is almost nil.

(vi) The facilities in the city are *hundis* and money order. In Co-operative Department there are cash orders and R. T. Rs.

QUESTION 3.—(1) When facilities of water, e.g., irrigation channel, etc., exist *dhanha* land fetches a price of Rs. 50 to Rs. 60 per acre, while where they do not exist the price is as below:—

Dhanha, Bhata	...	Rs. 15 to Rs. 20.
Matai	...	Rs. 25 to Rs. 30.
Dorsa, kanhar	...	Rs. 40.
Bharsi kanhar	...	Rs. 30 to Rs. 40.

The price of land depends on the labour it requires for cultivation, the soil capacity to retain moisture, etc.

(a) There are very few who take land auctioned by Government for they are afraid of legal difficulties that might eventually crop up.

MR. M. L. GUPTA.

(b) In this the price obtained is even less than the above as people think that the purchasers and the auctioneer are not mutually responsible.

(c) A very good price is obtained by private negotiations.

QUESTION 4.—(1) Yes, those who hold occupancy land cannot transfer it.

QUESTION 5.—(1) In Parsuli, tahsil drug, halka No. 16, there are 20 cultivators and malguzars. The total cash debt is Rs. 9,650 and the grain advance is 22½ gada. Of these, 4 cultivators owe no debt, two have a debt of Rs. 220 without any written document, while 12 cultivators owe Rs. 1,000 on stamp. One of the malguzars has mortgaged a share of his village to Palisao of Dhawdha for Rs. 18,000, another malguzar has mortgaged a share of his village to Rai Sahib Raon Prasad Deokar for Rs. 4,000. Two other malguzars owe Rs. 1,650. The land revenue of this village is Rs. 675-1-0. The sir land revenue is Rs. 451 the rest Rs. 224-11-0 being the land revenue to be paid from rents of cultivators. The malguzars own grain advance to the extent of 19 gada, 15 khandis, amounting to Rs. 1,975. The total debt of the malguzars is Rs. 10,625. Twelve cultivators have to pay grain *barhi*: 2 gada 10 khandis, amounting to Rs. 250. The total debt of the cultivators comes to Rs. 1,250. The total debt of the village comes to Rs. 11,870. The area of the village is 683.00 acres. This is an account of 1929.

(2) This can be roughly estimated by ascertaining facts from cultivators.

(4) (c) The co-operative societies have advanced Rs. 99,285 to 1,450 members for agricultural purposes in their joint security.

(6) The debt so contracted is mostly taken from indigenous bankers, co-operative societies come next and last is the Government.

(8) The other reason for indebtedness are:—Marriage, death, death of cattle owing to certain diseases, failure of crops, expenses incurred in connection with suits in courts, high cost of labour, insufficient facilities afforded by non-existence of chak-bandhi system, i.e., sowing, weeding etc., social customs, etc., etc.

Sowing and weeding cost much more and if there is saving, it is utilized for social customs.

(9) The rate of interest charged is from 1 per cent to 6½ per cent and in the case of grain advance it is 1¼ or 1½ times. In order to recover the amount a servant is sent at the time of harvest who recovers the amount then and there. The *kabulis* sit at the door of their debtors or recover the amount by force. They do not care for lawful means. If amount is not recovered by mere asking a suit is filed in the court and it is thus recovered.

(10) Many big farmers are turning into tenants for a period. Where irrigation is available the farmers do not usually leave their cultivation and go out and thus maintain themselves; but the tract which is always visited by famine, the cultivators leave it and are thus always penniless. Where famine does not occur the cultivators any how maintain themselves.

(11) When even after spending much there is no possibility of any profit agriculturists are bound to be discouraged and not otherwise.

QUESTION 6.—The following are the subsidiary industries allied to agriculture:—The cleaning of rice, gur-making, garden cropping, weaving, carting, etc. The industry of rice cleaning is going down because of the rice huller.

(2) Yes. As long as articles required for such industries are not made in India foreign articles should be stopped from competing the indigenous articles. Only those articles, which cannot be made in India or would be made in the near future may be bought from foreign countries. Unless and until Government encourages and uses indigenous articles they would not fetch good price.

(3) The *charka* is such an easy industry that every person can increase his income thereby. Government should publish such rules that none may look down upon indigenous articles and it should also use such articles. This is the only clear and simple methods of improving the condition of the agriculturist.

(4) These no doubt require credit facilities, but no such facilities are existing at present.

(5) Industrial societies should be established.

(6) Finance should be obtained for this from the co-operative banks.

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QUESTION 7.—(2) The co-operative bank has great difficulty in getting deposits for long period. The provincial bank does not advance loan on low rate of interest. There is always danger of losing the amount by advancing such loans to co-operative banks.

(3) The capital required for financing co-operative movement in this district would be Rs. 25 lakhs.

(4) There is no competition between the co-operative and the joint stock bank in this district.

(6) Yes.

(7) The co-operative movement has succeeded very little in meeting the demands of the agriculturists.

(8) Wide publication be made to bring the Usurious Loans Act in force.

(10) The primary societies should be financed from the Central Bank for it can supervise, while the Provincial Bank cannot.

Part II.—Indigenous Banking.

QUESTION 1.—Ordinary indigenous bankers carry on their work on trust and do not usually resort to legal methods. Bankers do not prefer to go to courts. They try to settle matters mutually. Some bankers also deal in grain, bidi-making, cloth, etc.

QUESTION 2.—Loans are advanced on status of clients.

QUESTION 3.—(d) The Imperial or the Allahabad Bank advances money after taking 25 to 30 per cent amount in advance and keeps goods with it as security.

QUESTION 4.—There are two kinds of hundis—(i) Darshani (at sight) and (ii) Mudati (due date). Loan stamp, account book receipts (railway) are also in force.

QUESTION 5.—(1) Small amounts are advanced on the account books or on receipts of stamps. Big amounts are advanced on mortgages of moveable or immovable property. The loan is advanced to the extent of half the value of property. The terms of such loans are that they must be repaid on due date, but there is a condition in some contracts that if the loan is not repaid, the property mortgaged would be foreclosed. Occupancy tenants do not get a loan, and if they at all get it, it is always on mortgage of their standing crops.

(2) Indigenous bankers take loans from other bankers to meet his demands.

(3) The rate of interest paid on deposits is from Rs. 6 to Rs. 9 per cent per annum.

(4) The bankers also take to some extent grain in repayment of their loan.

(5) No, they do not recover their amount by selling farmer's produce.

QUESTION 6.—(1) In cash, the farmer has to pay a rate varying from 1 per cent to 6½ per cent per month and in respect of grain advance it is 1½ to 1¾ times.

(2) Co-operative societies and co-operative grain depôts be established at every place.

(3) Yes.

QUESTION 7.—(1) No.

(2) Yes.

(4) Not necessarily on sound lines.

(5) Those debtors who are simple are unable to understand the terms and when they make any repayment no receipt is given to them or sometimes even the amount so paid is not credited. Education is the only means to remove these defects. There should be rule that when an amount is paid in repayment the banker must give its receipt then and there.

QUESTION 8.—(1) There should be a rule for bankers that the rate of interest does not exceed 1 per cent per mensem under any circumstances.

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(2) The banker should also maintain accounts on the lines of co-operative banks and if their accounts are properly maintained they can also get help from joint stock banks.

(4) The banker keeps his cash book (rokad bahi) and ledger book (khata bahi) and there are no facilities for clients to see their accounts.

(5) In the beginning they would oppose, but they would be reconciled as was the case with the Deccan Agriculture Relief Act (see Keating's Book).

QUESTION 10.—The demands are to a greater extent fulfilled by bankers but they also refuse loan on account of insufficient security or for want of capital.

QUESTION 12.—No. There is not much saving.

Part III.—Investment habit and attraction of capital.

QUESTION 1.—(1) The Imperial Bank, Allahabad Bank and the co-operative bank.

(3) The co-operative and the post office savings bank exist for encouraging savings.

(4) Yes.

(5) Yes. In villages co-operative societies should be established.

(6) As very small saving is effected, ornaments are made to a small extent. But those who do so should be educated that they should invest their savings in some other profitable manner. "Village uplift in India" should be prescribed in primary and middle schools as a book by translating it into Hindi. It should also be published broadcast and district councils should help in this matter.

QUESTION 2.—(1) Yes.

(4) Men in service and students coming from other places.

(6) The bankers may find fault, but the public does not.

QUESTION 3.—(3) The amount that is obtained by selling produce is spent in remitting land revenue, irrigation rates and whatever little remains is spent in purchasing cattle or in improvement of land, building of house, etc., etc.

(4) As no savings are effected, no estimate can be given.

(5) The outturn of crop is very poor. If any saving is effected, it is advanced as loan on usual conditions or in meeting losses sustained in previous years, or in repayment of debts.

QUESTION 4.—(2) As far as we know, stamp duty has not yet been abolished excepting the co-operative banks which are exempt from it.

(3) The local institutes and joint stock banks make use of cheques. It would not be proper to promote cheque habit.

(4) Vernacular script must be used in banking.

QUESTION 5.—(1) Yes.

(2) The saving habit does not increase for want of education, and unnecessary expenditure, etc.

MR. P. R. DONGAONKAR, Malguzar, Vice-Chairman, District Council, Drug.

Reply to the Questionnaire.

Part I—Agriculture credit and credit facilities for small industries.

QUESTION 1.—(a) The agriculturists obtain money from local sowkars and from Government in the shape of taccavi.

(b) They get money from Government under the Land Improvement Loans Act for capital and for permanent improvements. Generally people do not take loan for improvements.

(c) For other needs agriculturists take loan from local sowkars. Rates of interest in this district range from 6 to 24 per cent per annum. Rates, however, vary according to the quantity of the advance. Period of loan for expenses during cultivation is generally one year. For other expenses it ranges from five to ten years.

Generally, no security is given for advances for expenses of cultivation, but when big sums are advanced, securities in the shape of mortgage of immovable property are given and accepted both by Government and local sowkars. Standing crops are also given in security in cases of loans taken for the expenses of cultivation. Debts under taccavi are given by Government on joint responsibility.

Government advance money to the cultivators in the shape of taccavi for the purchase of bullocks and seed as also the co-operative societies, but as it is not practicable for one individual to get taccavi in all times of necessity, he approaches the local banker for petty sums.

In my locality nearly every village advances grain for seed to the extent of about 20 khandis. This quantity varies according to the nature of the last season.

Grain for seed is generally advanced on *barhi* system at the rate of *sawsi*. In times of necessity this rate becomes *dedki*. Generally, cultivators do not get money or grain for other expenses when needed. They have to be at the mercy of the money-lenders. They have to accept any rate of interest or *barhi* which the money-lender proposes. In the absence of village co-operative banks, cultivators do not get money or grain timely even after paying the proposed rate of interest by the money-lender. When the cultivators take an advance to be repaid by the disposal of the standing crop they do not get the same profit as they would have got if they had sold their crops ordinarily. Generally, he is put to a loss of 1 to 2 kathas in a rupee. For want of means of communications he is not able to take his grain to the market where he would sell his produce at the current rate. Traders and dealers go in the villages and purchase grain at more favourable rates than the prevailing rates and thus the cultivators are put to a heavy loss. Every facility should be ensured to the agriculturists to take their grain to the market.

QUESTION 2.—All principal crops are taken to either Raipur or Drug ganj for sale. Traders also come in the villages and purchase grain at more than the current rates. In the absence of means of communication every cultivator finds it difficult to take his grain from his village to the market. Good village roads, serviceable in all seasons for cart traffic, would remove this difficulty. At present the cultivators can go to the ganj for nearly six or seven months. Villages by the roadside sell their grain all the year round. In the Nawagarh tract of Drug district which is fully black soil and not served by any roads, the existing prices are always more than the prices existing in the market places. Thus a cultivator of Nawagarh tract gets Rs. 100 for his produce of Rs. 150.

Means of communication play an important part in facilitating foreign trade. Cultivators do not get any facility from banks, bankers and merchants during the process of marketing. All facilities from the aforesaid bodies would amount to a loss to the cultivator in respect of prevailing rates at the public market.

QUESTION 3.—Rice land is sold at the rate of about Rs. 60 to Rs. 80 per acre. Wheat land is sold at the rate of about Rs. 20 per acre. Soil classification, productive power, dry or wet soil, and situation of land generally affect

MR. P. R. DONGAONKAR.

the value of the land. In private sales, the land fetches the greatest amount. In sales by court decrees it would fetch less price and in sale by Government auction for non-payment of land revenue it would fetch much less price.

QUESTION 4.—*Sir* land cannot be legally mortgaged without the sanction of the Deputy Commissioner. Occupancy holdings also cannot be mortgaged legally under the present Tenancy Act.

No. There are no mortgage banks or agricultural banks in this district of long-term credit. I would suggest the establishment of village co-operative banks in each village for the benefit of landholders and tenants. In every village, grain and money should be raised as contributions in the shape of deposit towards the aforesaid bank, which in its turn would advance money and grain to the needy cultivators. Persons depositing grain or money should get adequate interest annually. The bank should be recognized by the Government. I do not, however, propose to establish land mortgage banks.

QUESTION 5.—My village is indebted to the extent of about Rs. 4,000. Such estimate could be obtained with reasonable accuracy by village-to-village inquiry. Debts are generally incurred for repayments of earlier debts, marriage and other social occasions, in famine and other distress, for payment of land revenue and rent, for the purpose of seed and for agricultural implements. Apart from the aforesaid reasons, the most important one is that the cultivators have to incur heavy debts for the purchase of plough cattle. Debts are generally incurred from the Government in the shape of taccavi from co-operative societies and professional money-lenders. In majority of cases indebtedness is due to growth of debt by compound interest when annual interest is not paid. Purchase of plough-cattle at exorbitant prices is mostly responsible for the present heavy indebtedness. Generally, rate of interest range from 6 to 24 per cent per annum. It varies according to the sum advanced. Debts are generally calculated at compound interest. In the event of debt being not satisfied in due time shelter is taken under law courts under unavoidable circumstances. Generally, debt is paid in due time, but in cases of failure, it is paid in kind or by giving them moveable property to the money-lender and by instalments.

A large number of people who are efficient farmers have been turned into sub-tenants and even labourers through the process of enforcement of old debts and landed property passing into the hands of the creditors.

There has been no marked difference in the condition of people of irrigated tract or dry tract so far. Time will only show how far irrigation will go to improve their condition.

Heavy indebtedness and continued poverty will take away from the actual cultivators incentive to produce more and in an efficient and better manner.

QUESTION 6.—At present there are no subsidiary industries allied or supplemental to agriculture in this district—hand-spinning, carpet-making, basket-making and weaving could be encouraged among the cultivators as industries supplemental to agriculture. The aforesaid work is the only enterprise within easy reach of the cultivator which will keep a cultivator engaged out of agricultural season and raise adequate income by the said work.

They require credit facilities which are not at present existing.

State aid is necessary in financing these industries.

Part II—Indigenous Banking.

QUESTION 1.—There are no banks in this district. There are, however, individuals who do money-lending business. Some money-lenders receive deposits, but their number is negligible.

QUESTION 2.—Money-lenders are the only source of financing money for agriculture, trade and industry. They advance money to Kochias, local dealers as they are called, who purchase grain from the cultivators and sell at the district market or some other small market. They also advance money on Khapusi system to local traders who purchase grain and sell it at the market. In this system money is repaid after every trip along with the interest. Small traders who deal in kirana, cloth, manieri, etc., also take money from the money-lenders on ughai system. In this system Rs. 10 are advanced to one man who pays Rs. 12 in 12 instalments at Re. 1 per month. If Rs. 20 are advanced, then the borrower has to pay Rs. 24 in 12 instalments at Rs. 2 per month.

MR. P. R. DONGAONKAR.

QUESTION 3.—Money-lenders in this district have no organizations of their own.

The local money-lenders are connected with each other to the extent of helping each other if necessity arises, but they do not keep any connection with other banks in the country.

QUESTION 4.—There are two kinds of hundis—Darshani and Mudati (demand and usance). Other credit instruments are hundis, stamped receipts, unstamped receipts, ordinary debt bonds, mortgage bonds, stamped *sarkat baki*, promissory notes, unstamped *bahis*. All the aforesaid instruments are made use of by the money-lender in the civil court.

QUESTION 5.—Loans are advanced on simple receipt, stamped receipt, simple *bahis*, stamped *sarkat bahis*, ordinary debt bond and mortgage bonds. Loans are also advanced on Khabri and Ughai system.

Loans are advanced on terms of monthly payments, six-monthly payments, annual payments and payments by trips. If the loan is not satisfied in due time, then compound interest is charged. Generally, money-lenders in this district have got their own money, but there are some who provide themselves with funds by borrowing from other big money-lenders.

QUESTION 6.—For rates of interest see reply to question 1, part I. Rates of interest would be brought down by establishing grain banks and co-operative credit societies. Lowering of rates of interest would not confer any benefit on the agricultural community as it would induce the borrower to borrow more. There should be restriction on the borrowing power of the agriculturist. In the event of some banks lowering their rates of interest people will naturally borrow more money from them at less interest and there is every possibility of other banks and money-lenders running into bankruptcy.

QUESTION 7.—No. There is no prejudice against the money-lenders. The Insolvency Act has much affected the money-lenders, otherwise they are sufficiently protected by law. The Civil Procedure Code and the Insolvency Act need to be so amended as to facilitate recovery of the loans.

Generally, dealings of money-lenders are conducted on sound lines, but there are occasional complaints that the local *sowkars* do not show accounts to their borrowers. Even if the principal and interest are paid, documents are not returned. Interest is charged on *admitmas*. *Bahis* are not paged. Stamps are purchased in the name of borrowers through an intermediary.

Every facility should be afforded to the borrower to see his account. In the event of the *sowkars* not returning the bond, the borrower should deposit the money in the civil court who should summon the *sowkar* to take the deposit. Interest should not be charged from the day of such deposit. Stamps for *debia* should not be sold to others than the actual person. No intermediary should be recognized in the sale of stamps for debts. Actual person taking a loan should go in person to purchase the stamp.

Law of "dandapat" should be passed into law. Civil courts should be ordered not to grant interest till the date of execution of a decree.

QUESTION 8.—Accounts are generally kept on *thata* and *bahi*. Mostly in rural area local *sowkars* keep account on ordinary account books. Accounts are not generally open to inspection or verification by customers.

Keeping of accounts on *thata* will be appropriated by the *sowkars*, but the publication of their accounts will be resisted. There is a majority of *sowkars* who are not well up in account keeping.

Part III.—Investment habit and attraction of capital.

QUESTION 1.—The existing banking resources are local *sowkars*, co-operative credit societies and Government.

At present the savings banks, local *sowkars*, co-operative credit societies and insurance companies serve for encouraging savings and investments.

Extension of co-operative credit societies would facilitate the investment of savings.

MR. P. R. DONGAONKAR.

QUESTION 3.—Agriculturists generally invest their money in improving their field bunds. They have also to purchase cattle worth lakhs of rupees. In social functions such as marriage and death ceremonies, caste dinners among depressed classes, they have to spend more money. There is no surplus money in the hands of cultivators to hoard.

Farmers lend money to their fellow-agriculturists at 12 to 24 per cent per annum. The smallest minority of the agriculturists spend their surplus money in the extension of their agriculture. Mostly surplus money is spent in the satisfaction of old debts.

QUESTION 4.—In the rural area there is no cheque system. Generally, educated people living in urban area use cheques. It is necessary to introduce vernacular script in banking.

No pay should be given to Government servants in cheques as it would lead them to enormous difficulties.

MR. P. S. RAU, I.C.S., Settlement Officer, Drug.

Reply to the Questionnaire.

QUESTION 1.—Agriculturists in this district obtain loans for all kinds of purposes e.g., the purchase of plough-cattle, the levelling or embanking of fields, the performance of social ceremonies such as marriages and funeral rites, the payment of rent and revenue, etc., from the malguzars or professional sowkars of their own or neighbouring villages. Besides, in nearly every one of the more important villages of the district there are one or two substantial tenants known as village "mandals", who accommodate their fellow-tenants with small loans. The part played by Government and the co-operative banks in financing agriculture is insignificant.

Loans for expenses during cultivation are mostly in kind, such as seed for sowing purposes and grain for household consumption. These are known as *badhi*, and generally taken from malguzars or sowkars or substantial tenants. The grain debts are generally taken for very short periods, mostly between June and November and paid after the harvesting of the kharif crops. The most common rates of interest are 25 per cent (*sawai badhi*) or 35 per cent (*sai kathi badhi*). In rare cases interest at 50 per cent (*dedhi*) is charged.

Cash loans are usually taken for longer periods and the rate of interest varies from 24 per cent (*dohatara*) to 37½ per cent (*do pala*). If the amount of loan is very small, say not more than Rs. 50, even higher rates of interest are charged. Even although all the tenants may not be able to repay the debt at the end of the year, the more thrifty among them manage to pay at least the interest annually. These debts are generally cleared off within a period of three to four years. Old debts are rare.

The vast mass (98 per cent) of the debt incurred by the tenants is unsecured, only some of the absolute occupancy tenants mortgage their holdings to obtain loans.

Malguzars as a rule borrow money from wealthier malguzars or professional money-lenders on the security of their proprietary interest in the village. The rate of interest varies with the status and the property of the borrower, but it is not often higher than 18 per cent. The usual rate is 12 to 15 per cent. For further particulars see reply to question 5 below.

QUESTION 2.—The bulk of the grain produced in the district is carted to the nearest grain market for sale by the cultivator himself, e.g., the grain of the northern half of the Bemetara tahsil goes to Bhatapara and Simga and the southern half to Drug, Raipur and Tilda. Some professional dealers in grain such as Marwaris and Kachhis visit local markets and buy up small quantities that are available there. Further, there is the small dealer in grain (*Kochia*), generally Satnami by caste, who goes from village to village buying small quantities of grain and finally selling it at a profit. The grain that is marketed in the last two ways is very small in amount.

QUESTION 3.—The value of land depends upon various circumstances—

- (1) the productivity of the soil,
- (2) the position,
- (3) the value of the crop grown,
- (4) the situation of the land with reference to large markets.

Land is not in great demand in the tahsil and certainly fetches much smaller price than in the neighbouring Raipur district, probably because of the want of railway communications and the distance from big markets. Rice land commands a higher price than wheat land; the former sells from Rs. 30 to Rs. 50 an acre and the latter from Rs. 20 to Rs. 30 per acre. The average value of an acre of land is Rs. 33.

I have not got the figures of court sales of land, but the amount of land sold through courts is so small, the price obtained at court auction varies so much and depends upon so many adventitious circumstances that they are of little value.

MR. P. S. RAU, I.C.S.

Note on indebtedness.

QUESTION 5.—I have completed the attestation only of the Bemetara tahsil and the figures given below relate to that tahsil only. The Bemetara tahsil comprises 625 villages and is for the most part a level black soil plain, bare of hill or jungle. It is the most fertile tahsil in this district with a total occupied area of 487,026 acres, 39 per cent of which is home-farm and the rest tenancy. The total number of tenants is 31,587. The area of the average holding is 9½ acres and rental Rs. 10. About 20 per cent of the tenants hold less than 2 acres each, and they are excluded from consideration at settlement, as their principal occupation is not agriculture. It may be mentioned that these men are generally free from debt or owe petty sums usually not exceeding Rs. 20. They have the advantage of not having to purchase plough-cattle. When these small men are excluded there remain 21,806 tenants. Of these classed tenants—

	Per cent.
Satnamis number	... 31
Telis number	... 22
Kurmis number	... 10
Brahmans number	... 4
Lodhis number	... 3
and various other castes too numerous to mention	... 30
Total	... 100

The total cash debts of the tenants of the tahsil amount to Rs. 7,17,674 and the total grain debt to 16,436 khandis. The average per tenant works out at Rs. 33 cash and three-quarter khandi in grain and per indebted tenant Rs. 99 and 2½ khandis. It must be remembered that several malguzars are counted as tenants in villages in which they have tenancy land and these figures are swollen and vitiated by the inclusion of their debts. Even so 65 per cent of the tenantry are free from debt and 25 per cent more owe less than Rs. 100 each.

The Bemetara tahsil is divided into nine groups and I give below for each group and for the tahsil as a whole figures showing for tenants and malguzars separately, the number of these indebted, the amount of debt and the percentage of those who are free from debt. The Anandgaon group is fully protected by Government irrigation, but all the others are more or less liable to famine, particularly the Nawagarh, Dadhi and Maro groups.

Practically the whole of the tenancy debt is unsecured. The proportion of debt with land as security in the form of a registered mortgage is only 2 per cent. Standing crops or produce or plough-cattle are pledged, but seldom.

Statistics of debts classified by purpose are unfortunately not available, but it may be broadly stated that the great bulk of the debt is for the purchase of plough-cattle. Live-stock has to be frequently replaced on account of the appallingly high cattle mortality in Chhattisgarh.

Viewed from the point of caste, Satnamis are easily the most indebted. They borrow freely, but are reluctant to repay. Their cultivation is usually slovenly and they neglect it on the slightest provocation. This caste furnishes the bulk of the emigrant labour which finds its way every year to the coal fields and other industrial centres of Bihar and Bengal.

In spite of all this, the number of tenants who are relatively heavily involve, i.e., owe more than Rs. 500 per head, is 90 in the whole tahsil, really fewer as this figure includes several malguzars. The highest individual debt is in the neighbourhood of Rs. 2,000.

It is impossible to say how much of the total debt is due to the accumulation of unpaid interest which is added on to the capital, but it is undoubtedly the case that a very large percentage of the total indebtedness is due to compound interest.

MR. P. S. RAU, I.C.S.

Malguzars.—There are in all 2,153 co-sharers:—

	Per cent.
Kurmis number	21
Brahmans number	19
Telis number	12
Satnamis number	10
Lodhis number	8
Banias number	4
Others number	26
Total	100

The total amount of malguzari indebtedness is Rs. 20,80,809 in cash and 4,500 khandis of grain, or Rs. 966 and 2 khandis per head; per indebted co-sharer the figures are Rs. 1,836 and 4 khandis of grain, 26 per cent of the debts have been incurred with land as security in the form of a registered mortgage and the rest unsecured. The causes of indebtedness are the purchase of plough-cattle, expenses connected with social and religious ceremonies, purchase of villages, improvement of land and litigation. I have not got detailed statistics for this.

In addition to the figures given separately the following may be of less than Rs. 500 each.

In addition to the figures give separately the following may be of interest:—

Debt per village.	Cash.	Grain khandis.
	Rs.	
Malguzari	3,300	7
Tenancy	1,148	26
Debt per acre of occupied land including malguzar's debts.	6	½ katha.
Average area held by tenant	14 acres	
Average debt	Ra. 33 each.	Grain Rs. 36.
Rent per tenant		(Before revision Ra. 12-8-0. (after revision Ra. 16.)

Tenant's debt = Ra. 2-8-0 per acre or 2½ times the rent.

QUESTION 6.—Most common subsidiary occupations of tenants in the tahsil are (1) plying carts on hire and (2) going to the zamindaris and adjoining feudatory states and buying timber, oil seeds and selling in the khalsa for a profit. As for the rest, Kotas and Pankas weave cloth, Gadarias make blankets, Kewats and Dhimars, fish. All castes and particularly Satnamis go out for casual labour on Public Works Department roads and irrigation channels. A large proportion of the tenants have no subsidiary occupation at all, as their time is fully occupied by agriculture. In this tahsil rabi cultivation is more important than kharif and the agricultural community is therefore very nearly fully employed throughout the year.

There is very little organized industry in the tract. Even hullers or rice mills have not sprung up, because there are neither large markets within the tahsil nor railway communication. But such as exist, e.g., cloth weaving, are not very profitable as the middleman absorbs most of the profit, leaving very little margin to the actual worker. I have not studied the question, but it seems to me that the only hope of improving the present state of affairs is to organize these industries on co-operative lines so as to eliminate the middleman as far as possible and secure the profits of his labour to the actual worker.

Mr. P. S. RAU, I.C.S.

Statement showing the indebtedness of

Name of groups.	1 to 500.			500 to 1,000			1,001 to 2,000.			2,001 to 5,000.		
	Number of malguzars.	Amount.	Grain.									
1	2	3	4	5	6	7	8	9	10	11	12	13
		Rs.	K.		Rs.	K.		Rs.	K.		Rs.	K.
Deokar ...	48	11,568	297	19	14,289	382	14	22,443	315	14	43,045	187
Bemetara ...	80	14,357	297	19	14,761	256	22	31,917	159	22	63,259	5
Dadhi ...	51	9,902	11½	17	13,475	70	8	13,350	31	12	36,775	5½
Nawagarh ...	32	8,808	155	16	14,830	75	9	16,252	74	11	51,677	277
Kathotia ...	35	9,251	...	13	10,590	...	6	10,900	...	4	11,685	...
Badnara ...	55	12,772	110	11	8,140	16	8	14,000	...	5	15,885	...
Maronandghat ...	97	20,990	25	18	14,780	...	24	36,500	...	18	61,095	175
Bhainsa ...	98	19,886	208	35	27,435	53	21	31,560	20	23	79,070	70
Anandgaon ...	84	19,712	314	29	30,264	60	28	45,310	...	19	70,490	...
Total for Bemetara Tahsil.	580	1,27,246	1,417½	177	1,48,564	912	140	2,22,232	599	128	4,32,981	719½

Malguzars in Bemetara Tahsil.

5,001 to 7,500			7,501 to 10,000.			Above 10,000.			Pure grain.		Free from debt.	
Number of malguzars.	Amount.	Grain.	Number of malguzars.	Amount.	Grain.	Number of malguzars.	Amount.	Grain.	Number of malguzars.	Grain.	Number of malguzars.	Percentage.
	15	16		17	18		19	20		21			22	23	24	25	26
	Rs.	K.		Rs.	K.		Rs.	K.		K.		
4	25,075	80	1	9,500	...	2	19,700	25	5	160	79	42
...	...	...	3	23,700	...	6	1,07,684	...	3	30	108	41
3	17,300	...	1	9,000	...	...	...	...	1	3	104	53
3	19,050	205	2	19,000	...	3	50,242	...	4	38	79	50
4	24,700	...	2	17,000	...	3	57,895	...	...	...	100	60
2	31,600	6	4	36,750	120	3	57,600	...	...	...	98	53
2	12,400	...	3	25,000	...	8	99,000	160	1	20	134	45
4	24,300	...	5	45,500	...	5	98,300	...	1	5	178	48
8	51,940	...	1	10,000	...	11	2,77,550	...	...	...	140	44
30	1,86,365	291	22	1,95,450	120	41	7,67,971	185	15	256	1,020	47

Abstract.				per cent
ts. 1 to Rs. 500	...	580	1,27,246	1,417 27
ts. 501 to Rs. 1,000	...	177	1,48,564	912 8
ts. 1,001 to Rs. 2,000	...	140	2,22,232	599 7
ts. 2,001 to Rs. 5,000	...	128	4,32,981	7194 6
ts. 5,001 to 7,500	...	30	1,86,365	291 1
ts. 7,501 to 10,000	...	22	1,95,450	120 1
above Rs. 10,000	...	41	7,67,971	185 2
Total indebtedness	...	1,118	20,80,809	4,244 52
Pure Grain	...	15	256	1 1
Total indebtedness	...	1,133	20,80,809	4,500 53
Free from debt	...	1,020	...	47 47
Grand Total	...	2,153	...	100

Statement showing the indebtedness of

Name of groups.	1 to 50.			51 to 100.			101 to 200.			201 to 300.		
	Number of tenants.	Amount.	Grain.	Number of tenants.	Amount.	Grain.	Number of tenants.	Amount.	Grain.	Number of tenants.	Amount.	Grain.
1	2	3	4	5	6	7	8	9	10	11	12	13
Deokar ...	330	Rs. 9,494	1,474	178	Rs. 13,730	681	98	Rs. 15,358	801	24	Rs. 6,411	225
Bemetara	503	16,207	550	362	28,707	826	179	28,336	510	50	13,396	105
Nawagarh	235	7,767	185	201	16,625	258	96	15,566	373	21	5,680	23
Dadhi ...	187	6,334	114	131	10,596	203	60	9,342	76	22	5,785	117
Kathotia	188	6,454	130	131	10,610	24	59	8,585	78	19	4,919	80
Badnara ...	162	5,309	143	155	12,692	233	56	8,971	221	18	5,051	140
M a r o N a n d ghat.	446	14,813	446	341	27,513	312	180	28,588	298	53	13,632	154
Bhainsa ...	539	17,681	568	320	25,510	383	155	23,740	404	28	7,434	49
A n a n d gaon.	568	20,030	297	503	41,664	231	281	31,105	884	78	20,883	41
Total for Bemetara tahsil	3,158	1,04,089	3,907	2,322	1,87,647	3,151	1,164	1,69,581	3,645	313	83,191	934

Tenants in the Bemetara tahsil.

301 to 500.			501 to 750.			751 to 1,000.			Over 1,000.			Pure grain.		Free from debt.	
Number of tenants.	Amount.		Number of tenants.	Amount.		Number of tenants.	Amount.		Number of tenants.	Amount.		Number of tenants.	Grain.	Number of tenants.	Percentage of tenants.
	15	16		18	19		21	22		24	25					27	29
14	5,017	153	4	2,538	269	1	780	5	3	14,369	...	124	932	829	52
31	12,110	74	11	6,540	157	6	5,080	10	2	3,026	20	69	351	1,524	56
9	3,905	...	3	1,979	20	...	...	...	1	1,800	20	33	206	1,622	73
5	1,890	...	1	740	...	1	760	...	2	2,445	200	17	73	1,136	73
9	3,443	17	1	600	...	2	1,975	...	1	1,900	...	5	30	987	70
15	6,236	10	3	1,900	20	1	850	...	1	1,500	...	14	119	1,083	72
28	11,387	78	4	2,290	...	6	5,300	...	2	3,775	...	48	513	1,983	64
19	7,642	57	7	4,140	4	1	770	...	4	6,450	...	46	945	2,421	60
47	33,285	116	12	7,688	...	8	7,060	...	2	2,436	...	42	400	2,599	63
177	84,915	565	46	28,415	470	26	22,575	15	18	37,761	240	398	3,569	14,184	65

Abstract.					
From Rs. 1 to Rs. 50	...	3,158	1,04,089	3,907	15
From Rs. 51 to Rs. 100	...	2,322	1,87,647	3,151	11
From Rs. 101 to Rs. 200	...	1,104	1,69,581	3,645	5
From Rs. 201 to Rs. 300	...	313	83,191	934	1
From Rs. 301 to Rs. 500	...	177	84,915	505	1
From Rs. 500 to Rs. 750	...	46	28,415	470	...
From Rs. 751 to Rs. 1,000	...	26	22,575	15	...
Above Rs. 1,000	...	18	37,761	240	...
Total indebtedness	...	7,224	7,18,174	12,867	32
Pure grain indebtedness	...	398	...	3,569	2
Grand Total indebtedness	...	7,622	7,18,174	12,867	35
Free from debt	...	14,184	...	...	65
Grand Total of Tenants	...	21,806	...	...	100

(b) EVIDENCE OF WITNESSES WHO FURNISHED WRITTEN STATEMENTS
AND WHO WERE ORALLY EXAMINED.

**RAI BAHADUR TUNDILAL POWAR, Deputy Director of
Agriculture, Eastern Circle, Raipur.**

Reply to the Questionnaire.

**Part 1.—Agricultural credit and credit facilities for small
industries.**

QUESTION 1.—(a) In this circle the agriculturists obtain finances for expenses during cultivation from village sowkars, banias and malguzars and in a small measure from Government in the shape of loans under the Agriculturists' Loans Act.

(b) For capital and for permanent improvements, the agriculturists obtain finance mostly from Government in the shape of loans under the Agriculturists' Loans and the Land Improvement Loans Acts.

(c) They obtain finance for special needs from sowkars, malguzars and village banias.

The interest charged on advances ranges from 12 to 37 per cent per annum according to the amount borrowed, the nature of security offered and the pressure of needs of the borrower.

The loans are generally taken for a period of 9 to 12 months. The standing crops are the main basis of security for such advances and in cases where the land can legally be mortgaged, it is also accepted as security.

The conditions in respect of such advances are sometimes the grant of loan with the proviso that the crop harvested will be sold to the creditor at a favourable rate. In regard to lump sum advances for ceremonial purposes, the village shares are also often mortgaged.

Loans for the purchase of seed, cattle, implements, etc., and also for agricultural improvements are generally taken from Government or from co-operative banks where available, failing these, the sowkars and village Banias are approached even at heavy interest.

The practice of offering standing crops as security results in cheapening the produce and thus deprives the owner of the full value thereof. It also induces the borrower to adopt devices to evade payment and thus demoralizes him.

In considering the remedies to be adopted to help the agriculturists, a good deal of attention has to be paid to the present circumstances wherein instead of his spending the loan for improving his agriculture and bettering his condition, he not unoften spends it on unproductive schemes and personal comforts. Therefore any scheme to successfully ameliorate the condition of the agriculturists should aim at encouraging in them the habits of thrift and self-help without which any amount of cheap credit will fail to rescue them.

QUESTION 2.—This has been fully dealt with by the Royal Agricultural Commission.

QUESTION 3.—In this circle the price of rice land ranges from Rs. 50 to Rs. 200 per acre, while the price of rabi land varies from Rs. 30 to Rs. 150 per acre. The factors affecting the value of land are—

- (i) Its position.
- (ii) Irrigation facilities.
- (iii) Marketing facilities.
- (iv) Communications.
- (v) Proximity to towns.
- (vi) Progress of development of the tract.

In this province the occupancy land is unsaleable. Lands held in absolute-occupancy and malik-makbuza rights fetch much below the market price in event of auction for non-payment of revenues or in event of sale by court decrees.

QUESTION 6.—This has been fully dealt with in the report of the Royal Agricultural Commission.

Oral Evidence.

Raipur, the 21st February 1930.

Chairman: You have given us a very interesting but rather brief reply to our questionnaire. We have also studied your written and oral reply given to the Royal Commission on Agriculture. We wish to ask a few more questions

RAI BAHADUR TUNDILAL POWAR.

on the subject relevant to our own enquiry. Can you give us a statement showing local weights and measures? Have you prepared any statement?—I file as statement as requested.

Have you worked out the average cost of cultivation of the principal crops in Chhattisgarh?—I have got the figures only for rice which is the principal crop in this circle. I have also got figures for the costs of cultivation of all the crops grown on the Government agricultural farms.

Have you also worked out a statement showing the average profits?—Yes.

What is the average outturn for unirrigated rice per acre?—About 900 lbs.

For irrigated rice?—I think if an all round acreage for all kinds of soil is taken, 1,200 lbs. is more correct according to the cultivators.

Is this for manured or unmanured?—You may take this as an average for both manured and unmanured.

What is the average for manured rice?—That depends on the soil and the manuring. The best crop I ever saw yielded over 5,000 lbs. per acre.

How do you explain so high an outturn as 5,000 lbs? Was that the outturn of a field of a cultivator?—It was the outturn of a field of a cultivator. He had cultivated the field according to the instructions given by the department. He had used selected seed and improved implements and had grown the crop in a Gourasa area.

It is your meaning that the outturn of the crop varies very greatly according to the character of the soil and character of cultivation, giving as high as 5,000 lbs. per acre in special cases?—Yes. There are very great variation in outturn.

Thus it would be extremely difficult to estimate the outturn of any particular area without actually knowing the soil, etc. Is it not?—Yes. Crop outturns also vary much from year to year in unirrigated tracts according to the character of the season.

Can you tell us what in your opinion is the principal need of agriculture in Chhattisgarh?—The principal needs of cultivator are adequate supply of manure, good seed, improved implements and good cattle.

How would you propose to introduce these?—The Agriculture Department is trying to meet these in various ways through propaganda. The cultivator is advised not to burn cattle-dung as far as possible for fuel and to use it for manuring his crops. He is also advised to conserve the urine of his cattle by dry-earth system to supplement his supply of manure. Over and above these, he is asked to make use of such artificial manures as have been found profitable. Pure seed of the improved varieties of crops is made easily available to him through seed-farms. The advantages of improved implements are brought home to him by practical demonstrations in his own fields. He is advised to feed his cattle well and keep them in good condition. He is further helped with good bulls on premium system to breed better animals.

Do you find that improved seed deteriorates?—Yes.

After how long?—After three years it begins to deteriorate.

What is your opinion about the desirability of introducing pool?—If we are to have any pooling or storing in large quantity, it would be necessary to hold paddy and it would be also necessary to introduce one uniform kind of seed in the whole village and this will not be possible.

Why?—Because in a village 3 or 4, namely, early, medium and late, varieties must always exist according to the requirements of soil and water.

Chairman: As regards manure, what do you propose?—Under the present circumstances in Chhattisgarh such cattle-dung as is kept is not properly preserved and thereby it loses much of its value. The department is trying to educate people how to preserve manure. As regards cattle-urine which is at present wasted we are advising cultivators to preserve it by the dry-earth system. This is now being done by several people.

Even if all the farmyard manure which is available is used in the fields for what percentage of the total area will it suffice?—It will not suffice for even 10 per cent?

What do you propose then for the remaining ninety per cent?—Where transplanting is practised we advise green manuring, and for bessi and other broadcast sowings, we recommend bone-meal.

RAJ BAHADUR TUNDIAL POWAR.

Transplantation of rice is only possible in those areas where irrigation is adequate?—Yes.

And bias is practically universal in unirrigated areas in Chhattisgarh?—Yes.

As regards bone manure, do you think it would be possible to revive the bone-crushing industry in Chhattisgarh? Have you done any bone-crushing yourself?—Yes. Some years before, when there was no bone-crushing machine here, I used to have bone-crushing in an ordinary lime crusher.

Do you think that the caste objection is a serious obstacle to bone-crushing?—Only chamars will do it.

Will other castes use bone-manure in their fields when bone is crushed?—In the beginning it will require intensive propaganda to educate the people.

Vice-Chairman: What is the amount of bone-manure necessary for properly manuring one acre?—So far we have tried one, two and three maunds. Three maunds has given the best results. The cost has varied from year to year. In 1900 we paid Rs. 3-13-0 per maund; in 1921 Rs. 4-5-0 per maund; in 1922 Rs. 5-1-0 per maund; in 1923 Rs. 5-1-0 per maund; in 1924 Rs. 7 per maund; in 1927 Rs. 4-11-0 per maund; in 1928 Rs. 4-8-0 per maund and in 1929 Rs. 5 per maund.

Chairman: Could you explain why prices have fallen again after rising?—Bone-meal mostly is exported to other countries and prices depend on the demand from outside.

Have you made any enquiry to find out how much the local chamars receive for bones?—I have made enquiries and found that they get about Re. 1-4-0 to Re. 2 per maund.

The prices in the villages would be a little less?—Yes.

Have you any idea of what the cost of crushing will be? Assuming that the raw bone could be obtainable under Rs. 2 per maund and that it would not cost more than Re. 1 for crushing, if we can provide this bone-meal at Rs. 3 per maund, would it be an economically paying proposition?—Yes, it would be.

I notice from the figures which you have given us that you have usually used some other fertilizer mixed with the bone-meal and that the best results are obtained from sann combined with bone-meal or cattle-dung mixed with bone-meal. Bone-meal alone does not produce so large an outturn?—It does produce increased outturns. The average increase in the gross outturn is Rs. 21 per acre. The net profit has increased from Rs. 7 to Rs. 12 after meeting all expenses including manuring, etc. I produce a statement showing the average outturns for the last 5 years of various forms of manure with bone-meal.

Vice-Chairman: Have the results of these experiments been accepted by the department as standard experiments?—These results are published in the annual reports of the department. Other factors such as class of soil, etc., also govern the net profits.

Chairman: Oil-cake manuring is very expensive. Is it not?—We pay about Rs. 70 per ton.

Is Oil-cake useful for rice?—We have not so far used it for rice but we have used it for sugarcane, wheat and other garden crops.

Is there a lack of bone in Chhattisgarh?—I think there is a very large quantity of bone in Chhattisgarh. At present it is exported.

Do you think it would be a good thing to attempt to retain this bone inside Chhattisgarh if possible?—That would be a very good thing in the interests of agriculture provided some local bone-crushing industry is started.

Do you know anything about bone-crushers or should we consult the Industries Department?—Some years back there was one mill in Rajnandgaon. It was not very successful and it was purchased by some one in Raipur. As the demand for bone-meal was not much, he had to stop working it. He was charging the same prices as were prevalent in Calcutta and Bombay. The reason why there was a little demand for bone was partly lack of propaganda and partly high price.

It has been represented to us on several occasions that at present there is not sufficient co-ordination between the Revenue, Agriculture, Veterinary and Irrigation Departments and that they are to a certain extent working in separate water-tight compartments and this view has been put forward from many responsible quarters. Have you any suggestions for producing closer co-operation?—I think we are doing something here in this direction.

RAJ BAHADUR TUNDIL POWAR.

One suggestion put forward was that our aim should be to have one officer of the rank of Extra-Assistant Director in each district who should be in the position of an Agricultural Assistant or Adviser to the Deputy Commissioner, who on his advice and recommendation would, through the Revenue officials, carry out a regular co-ordinated policy of agricultural improvements?—It will do immense good but the difficulty is about the staff.

Would you be prepared to agree that most of the propaganda work which is done at present by the Agricultural Assistant might be done by revenue inspectors and patwaris if instructed in this work?—No. They have not got technical knowledge and so instead of doing good they would do much harm to the cause of agricultural improvement.

Professor A. C. Sen Gupta: You say that there are some cultivators who will not for some time touch bone-meal. There are many Chamar cultivators in this division. They will be using bone-meal?—Yes.

And many of the agricultural labourers are Chamars?—Yes.

Any caste cultivator who does not want to touch this can use Chamar labourers to do so?—When once cultivators see that there is some profit in using bone-meal, they will use it.

Chairman: Thank you.

Local weights and measures.

General katha in Chhattisgarh 20 kathas = 1 khandi.

Paddy—1 khandi weighs 140 lbs.

Rice—1 khandi weighs 180 lbs.

Wheat—1 khandi weighs 180 lbs.

Proportion of paddy to rice.

By measure—9 kathas rice out of 20 kathas paddy.

By weight—82 lbs. rice out of 140 lbs. paddy or roughly 58 to 60 per cent.

Roipur municipal market has a different measure called Mud kathi.

1 khandi paddy weighs 155 lbs.

1 khandi rice weighs 200 lbs.

1 khandi wheat weighs 200 lbs.

Series C—Average for five years.

Manure and quantity per acre.	Average outturn in lbs. per acre.		Average value of outturn per acre.	Average cost of cultivation per acre.	Average net profit per acre.	Average increase in profit over that of un-manured plot.
	Grain.	Straw.				
1	2	3	4	5	6	7
Sann 4,000 lbs. and 240 lbs. bone-meal.	1,747	1,808	Rs. a. 72 4	Rs. a. 48 5	Rs. a. 23 15	Rs. a. 16 5
Sann 6,000 lbs. and 240 lbs. bone-meal.	1,842	2,119	77 8	51 14	25 10	18 0
Sann 8,000 lbs. and 240 lbs. bone-meal.	2,028	2,544	86 9	55 12	30 13	23 3
Sann sown in situ and 240 lbs. bone-meal.	1,450	1,763	61 11	49 3	12 8	4 14
Cattle-dung 4,000 lbs. and 240 lbs. bone-meal.	1,532	1,853	65 1	45 14	13 3	5 9
Cattle-dung 6,000 lbs. and 240 lbs. bone-meal.	2,157	2,346	89 14	48 4	41 10	34 0
Cattle dung 8,000 lbs. and 240 lbs. bone-meal.	2,134	2,511	90 4	50 15	39 5	31 11
Bone-meal 240 lbs. alone ...	1,236	1,685	53 12	40 14	12 14	5 4
No manure ...	793	812	32 10	25 0	7 10	—

RAJ BAHADUR TUNDILAL POWAR.

MR. M. K. CHITALE, B.Sc., LL.B., Pleader, Mungeli.

Reply to the Questionnaire.

QUESTION 1.—At the sowing of the kharif crops, 40 per cent of the tenantry have to borrow from creditors who are mostly no others than the malguzars of the villages. Generally, the agriculturists do take care to reserve some produce for seed, but their poverty does not permit them to leave their seed stock untouched till the next sowing season, and so, they have to borrow. So also the same percentage of the tenantry borrows money for their special needs such as failure of monsoon and for ceremonial purposes as marriages and caste dinners, etc. Very few of the tenants borrow capital for permanent improvements of their holdings. At the time of rabi sowing, still larger percentage, say, 50 per cent of the tenants, have to borrow. The reasons as to why the tenants have to borrow in larger number than at the time of kharif sowing is, that the rabi produce of the fields is generally utilized for converting into cash in order to meet their family requirements such as purchasing cloth and articles of other domestic needs and also for the payment of land revenue. It is thus the rabi produce that gives money to the tenants. Therefore they cannot afford to receive any amount of rabi grain for meeting their seed requirements at the time of following sowing season. Practically no tenant borrows capital for permanent improvements. A very solvent tenant, entertaining the idea of making permanent improvement to his holding, is an exception to a village; and still more a tenant who can reasonably think of borrowing for purposes of improvement is still more rare. Their general anxiety is how to make the ends meet at the end of the year. There are instances of some malguzars and a few tenants taking loans from Government under the Land Improvement Loans Act, but the number of such borrowers is very limited. There are also instances of tenants taking taccavi from the Government. The rate of interest on grain advances is 50 per cent on the principal and is locally called by the name of "Badhi dedhi". It means that tenant borrowing one khandi of paddy at the sowing season of kharif crop has to give one and a half khandi to his creditor as soon as the produce comes out of the field, i.e., in the month of January middle; the time of borrowing paddy is generally in the month of June. Thus, in seven months the principal grain debt of one khandi increases to the indebtedness of one and a half khandis. The rate of interest of the rabi crops is at times "Badhi dedhi" and at times "Badhi duni". This produce is generally borrowed in the month of November and becomes repayable in the month of April. The rate of interest on cash debts is varying from Rs. 2 per cent to Rs. 3-8-0 per cent per mensem on small amounts and it is generally one per cent on big amounts. Another special feature of the grain lending, is that it carries compound interest in case the interest (badhi) be not paid every year. Persons holding proprietary estates such as villages and malik-mukbuza land, generally have to mortgage their property for borrowing big sums whereas for small sums they take on personal contracts. The tenants, according to the restrictions of Tenancy Act, are prohibited from mortgaging their tenancy holdings, but in practice they are actually found mortgaging them by unregistered deeds, which leads to a very complicated litigation in civil courts, where we find a very interesting conflict of the Transfer of Property Act and the Central Provinces Tenancy Act. The entire money-lending of this locality is in the hands of big malguzars of the mofusil areas. Co-operative movement has not taken sufficient roots in this locality. In the Mungeli tahsil of Bilaspur district there is no co-operative society at all excepting one, which was recently established on the border of Bilaspur and Mungeli tahsils. The Rohillas (Pathans) have recently come into evidence of doing money-lending in the villages. The Bilaspur Central Bank is spoken of highly as one of the best solvent banks in this province. But no societies under it have been established in the Mungeli tahsil excepting only one society. Other professional money-lenders do some business of money-lending, but they are more confined to the urban areas. It is very difficult to ascertain the actual amount of capital required by each tenant but the fair estimate which I arrive at, is that each tenant on an average shall require not more than 150 rupees to improve his condition provided he is not already encumbered.

Besides the above noted systems of money-lending and grain lending by malguzars of village areas, by some bankers of urban areas, by a few Rohillas, and the little relief of temporary but doubtful nature given by taccavi loans,

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there are no other systems working here. The big names of Imperial Bank, the joint stock bank and other banks are unheard of in this rural area. Taccavi loans are also mis-spent. Not more than 50 per cent is spent on its proper objects. The rest is exhausted in their other needs requiring money.

QUESTION 4.—The restrictions of the Tenancy Act of Central Provinces imposed upon a tenant prevent him from mortgaging his tenancy holdings. This drawback must be removed and the tenants should be given greater rights on their holdings to enable them to give a security of their holdings to borrow money from independent creditors without the scare of the malguzar. Tenancy amending bills introduced in the Central provinces Legislative Council were intended to make this necessary change in the Act, but they are not successful yet. Rao Bahadur Kelkar's Tenancy Bill is before the Central Provinces Council, and it is hoped that the Council should pass it at the earliest opportunity. The Government should show greater courage in openly espousing the cause of tenantry that what they did in the past; and unless with the Government support, I do not hope that Rao Bahadur Kelkar's Bill shall meet with success in the pro-malguzari councils as it is presently constituted. There are no land mortgage banks here as far as I am aware. In the January session of 1929 Mr. H. C. Gowan, in reply to the question of Mr. R. M. Deshmukh, said as follows: "The report of the committee appointed by the Co-operative Department to consider the question of land mortgage banks has not yet been submitted to Government". I have not yet known the result of such committee but undoubtedly the experiment of introducing land mortgage banks is worth trying as early as possible. There are also no other banks for the provisions of long-term credit. Amongst the different objections that are advanced against the co-operative system and the taccavi system the very pertinent objection is, that the recoveries of loans advanced by them are very strict and are enforced at short intervals. It is also said that a private money-lender is very accommodative in his recovery and is so preferred to co-operative and the taccavi system, although his rate of interest is high. The restrictions of the Tenancy Act, though perhaps intended for the tenant's good, work a havoc against him. With human habits as they are, borrowing is an indispensable sin. Tenants poor as they are have to borrow. In one case, which I had to deal as a pleader, the malguzar decree-holder had obtained a simple money decree against a tenant and had also agreed to take a surrender deed of the tenant's holding in satisfaction of the decretal debt. The tenant then left his holding uncultivated and requested the malguzar to take the surrender. The malguzar with his superior position evaded taking the surrender for a long time and then quietly started his execution of the money decree for harassing the tenant, and also had his eye upon taking the tenant's holding free under section 35, Tenancy Act. The tenant has absolutely no credit at all because the land he cultivates is not his. It is really a strange irony. It must be remedied. He has no choice but to borrow from his malguzar creditor, who dictates his terms.

QUESTION 5.—It is rather difficult to measure the exact amount of indebtedness raging in the district or province unless it be by special effort of a very intensive nature. I understand that at the time of Bilaspur settlement now in progress the Settlement Officer touring from village to village has made enquiries of the indebtedness of each tenant, in order to have an idea of the financial condition of the tenantry. There are 561 khalsa villages, 359 pandharia zamindari villages, 44 kanteli zamindari villages and 22 Government forest villages in Mungeli tahsil. The Pandharia tract is poorer than khalsa tract. In the entire tahsil some villages have 75 per cent of the tenantry indebted, but very few villages will be found, which contain less than 20 per cent of its tenantry indebted. I can as well say that the need of removing indebtedness is greater in this backward and poverty stricken tract of Chhattisgarh than in the more forward tracts of Nagpur and Berar. I would very humbly but strongly recommend the committee to visit at least five select villages in Mungeli tahsil and see for themselves the actual conditions of the tenantry. I would also at once plead that the rule of *dam dupet* applicable to the Hindus of Berar must be immediately made applicable to the whole of Central Provinces and Berar. Muhammad Yakub's Interest Restriction Bill pending before the Legislative Assembly since long must be passed. It is an urgent necessity. Our Provincial Government must at least lend its strong support to the passage of the Bill in the Assembly or in the alternative

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our provincial Government by the help of the resolution in the Council which was passed on the motion of Mirza Rahman Beg in the January session of 1929, must apply the rule of *dam dupat* to the entire Central Provinces and Berar. I also do not fear to confess that some social customs of spending considerable amounts over marriages, caste dinners and expenses over obsequies also partly account for the heavy indebtedness of the tenantry. Enormous cattle disease in villages where medical relief inadequate is also responsible for the indebtedness. Agriculturists suffer a heavy loss on the death of the cattle. They have to borrow to purchase new cattle. I am of opinion that about 50 per cent of the total indebtedness is due to the death of agricultural cattle. 25 per cent of the indebtedness is due to the social customs of incurring expenditure for marriages, death obsequies and caste dinners; 25 per cent of the indebtedness is really due to ordinary domestic wants.

Oral Evidence.

Raipur, the 20th February 1930.

Chairman: Will you kindly explain in greater detail your reference in your written reply to the unregistered mortgage of occupancy holding?—In courts of law we meet with cases in which certain documents of sale of occupancy holdings executed for more than Rs. 100, as also unregistered possessory mortgage-deeds for more than Rs. 100 executed more than 2 or 3 years ago. When ejectment case is filed by landlord that unregistered deed for over Rs. 100 is invalid under the Transfer of Property Act because it requires registration; under Central Provinces Tenancy Act there is no definition of how transfer should be made, and for that purpose we have to look to the Transfer of Property Act, and such documents are invalid so far as the Transfer of Property Act is concerned. At any rate, the transactions are there; and although they are not quite valid according to the Evidence Act, yet if the transactions are as old as 2 or 3 years, and if that land covered by the transactions has passed to the name of transferee, the latter cannot be ejected in the revenue courts because the Limitation Act helps such transferees. Such transfer therefore cannot be strictly invalidated under the Revenue Law although as a matter of fact it is not a perfectly valid transfer.

Do you consider that the malguzars as money-lenders are more injurious to the tenants than sowkars. Whom would you prefer?—I would prefer sowkars.

Why?—Because they have no eye upon the land, whereas the lambardar malguzar or co-sharer malguzar has an eye upon the land.

As regards occupancy land, a sowkar cannot hope to get possession of the land in payment of his debt, whereas a malguzar can hope to obtain it by surrender. Is that your meaning?—Yes.

I would like to ask you more about your reference to cattle mortality in the villages where veterinary relief is inadequate. Is cattle mortality very heavy in your parts of the province?—From the enquiry I have made from various agriculturists it appears that heavy cattle mortality from cattle epidemics is one of the principal causes of indebtedness in this area.

Is not the Veterinary Department taking steps to prevent cattle epidemics?—They may be taking steps but the area is so vast that it is probably impossible even to reach every area where epidemics occur and under the present conditions the results in reducing cattle mortality from epidemics achieved by the Veterinary Department are insignificant. Very much more is required before Veterinary Department could deal properly with this evil.

Vice-Chairman: Have you any idea of the co-operative movement in the Mungeli tahsil?—One thing I know that there are four banks in the Mungeli tahsil.

Do you think there is lack of sufficient number of honorary workers in that local area?—I very fully echo the words you have said.

Are you aware that during the last year Bilaspur Bank has been trying to establish societies in the Mungeli tahsil?—I do not know. But I enquired from the secretary who is of opinion that the task would be much embarrassing for the Bank.

Chairman: Another witness has just stated before the committee that certain vested interests were opposed to the improvement and uplift of the
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tenants and villagers in rural areas. What have you to say on the point?—The question is a very delicate one. However, there are always vested interests who oppose the kind of reforms affecting them. I do not seriously count them.

Vice-Chairman: Do you know that the co-operative bank tries to advance only such amounts to a man as are within his paying capacity and also tries to teach him thrift and make him live within his means. You know these are the essential objects of the co-operative movement. Co-operative movement, therefore, cannot be as accommodative as money-lenders. Do you agree that this is a healthy precaution?—It cannot be accommodative to the large extent to each individual as money-lenders may be.

I put it to you that the best form of financing the agriculturists would be a form in which they will not be financed recklessly. They will be financed only up to their paying capacity and after loans have been actually advanced to them their expenditure will be controlled and they will be made to repay in time. Do you like this scheme?—Yes.

Therefore I take it that the co-operative movement and its financing will be more suitable than any other form of financing or money-lenders. Is it not?—Yes. I agree.

Do you think that if we place more capital at the disposal of the indigenous money-lenders the rate of interest will go down. Do you think indigenous money-lender will not reduce the rate of interest even with increased capital?—No. He will not reduce.

What percentage of money-lenders are so unscrupulous?—I may take it as 60 per cent. These money-lenders are given to extortion.

Chairman: To what money-lenders are you referring?—I am referring principally to the *malguzar* money-lenders in the *Mungeli* *tahsil*.

Vice-Chairman: You have said that *taccavi* loans are also mis-spent in more than 50 per cent. They are not spent on proper objects. Is it so?—I think so.

Do you mean to suggest that *taccavi* actually advanced is in excess of their agriculture requirements?—No.

Why they spend on other objects?—Because they are always in need of money for their expenditure also such as clothes, estates, etc. They take advances under the cover of *taccavi* and spend on ordinary purposes such as marriage, etc.

Thus you think that there should be a special department for giving such short-term loans for ordinary purposes?—I have thought over the problem and now my view is that it would be very permissible if the distribution of *taccavi* be done by co-operative societies. Government must on a larger scale not only give loans for agriculture purposes but even for ordinary daily needs of agriculturists.

Rao Bahadur K. V. Brahma, C.I.E.: Have you tried to find out what is the indebtedness per individual in your part of the country per acre?—I have made enquiries from tenants and *malguzars* and indebtedness per individual comes to Rs. 150 to Rs. 200 per tenant on an average. My impression is based upon my enquiries from *malguzars* and tenants who have come to me in my professional capacity.

Chairman: Would it not be correct to say that the cultivators who are involved in litigation are usually those who are most heavily indebted?—I cannot say this.

What is the average holding per tenant here in your part of the country?—I may put it at 6 to 7 acres.

What is the paying capacity or productive capacity per acre according to you?—I cannot say.

Do you want the rule of *dam dupet* to be extended in the real sense or in the sense put upon it by courts?—I have not thought about the point whether capitalized interest should be included in the amount of principal for the purposes of *dam dupet*. I would not be able to say that the general *Shastri* rule of *dam dupet* should be enforced or the rule of *dam dupet* which entitles a creditor to recover double the amount of the principal evidenced by the bond or the first writing.

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Rao Bahadur M. G. Deshpande: You have written about the rights of transfer to tenants. Do you not think that the restrictions of transfer in the past had put the tenants continuously in possession of land?—It is not because of the restrictions that the occupancy tenants have not lost their lands but it is owing to their desire to retain it if they can.

Do you admit that by giving rights of transfer malguzars would not get their *siwai* income?—They will lose if the rights of transfer are given to occupancy tenants.

How can you compensate this loss to the malguzars?—I am afraid there is no just ground to retain that benefit to them. There is no justification for the right of granting *nazarana* which has never been recognized by Government.

Do you think that by getting loans at cheaper rate of interest the indebtedness will go down or increase?—These two questions are not quite connected with each other. If the rate of interest is reduced it is not that they will at once run into debt.

Chairman: Some educationists think that the grant of rights of transfer will give tenants a sense of responsibility and will encourage thrift?—Rather it becomes very academic to say so. There is more temptation to borrow if there are no restrictions; but some reckless borrowers would go to the wall.

Rao Bahadur M. G. Deshpande: Do you think that most of the malguzars are money-lenders?—Those who can afford to do so are doing money-lending.

How many outsiders are money-lenders in your *tahsil*?—In the *mofussil* area the number is very limited. There are some Marwaris. But not more than 10 per cent.

That is, 90 per cent are malguzars?—Yes. But in the interior.

Have you got any idea, during your 12 years' career, as to how many lands have gone in the hands of the *sowkars* who are not malguzars?—There are very few such *sowkars*, and therefore I do not think any lands must have gone.

How many *sowkars* have got such lands?—There may be small percentage.

Do you think that the malguzars generally come in the way of societies? How many societies have you got in Bilaspur Central Bank?—There are something like more than 200 societies. I have not heard malguzars coming in the way of societies. But in the Mungeli *tahsil* there was some talk. In Bilaspur I have not heard such talk of opposition.

Have you ever advised your clients to apply to Government for more veterinary dispensaries?—I believe the veterinary dispensaries are managed by district councils. It depends upon the limited funds of district councils. I cannot merely ask them to apply.

Seth Narsingdas Daga: In reply to questions the witness said:—By mere obtaining of funds the rates of interest will not be reduced. The point is that deposits must be obtained by *sowkars* before they can advance money on lower rates. It is true that malguzars would not suffer to pass lands from their hands by giving consent to surrender. They will rather like to have these lands themselves by refusing to consent.

The witness himself gave the following account:—I have a case on hand from which I can illustrate to the Committee how loans are increased enormously by accretion of interest. I am referring to a suit on the file of Sub-Judge, Mungeli, where I noticed that the creditor malguzar had advanced 12 *khandis* of rice and made a claim for 512 *khandis* by way of interest on this and for 3½ *khandis* of *Batra* he claimed 836 *khandis* by way of interest converted in money his claim for principal was Rs. 336 and Rs. 7,475 by way of interest. The malguzar made a show of relinquishing Rs. 6,000 and laid his claim in court for a sum of Rs. 2,000 when the principal amount was really Rs. 336. This will show how accretion of interest and want of law of *dam dupat* results in placing the tenants at the mercy of the malguzars. The suit ended with a compromise decree in which the malguzar was satisfied by taking only half the mortgaged land of acreage which the tenant held in absolute occupancy holding.

MR. DINANATH AGARWAL, Merchant, Bilaspur.

Reply to the Questionnaire.

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

QUESTION 1.—(a) Expenses during cultivation generally consist of sowing and cleaning land, etc., for which loan of paddy is generally taken. In agriculture biasi, weeding are the main items of expenditure, some people obtain loans in cash.

(b) The capital and permanent improvements include purchase of field or land and putting of bandhans, etc. For this purpose agriculturists sell their stocked grain. Sometimes they go in for loans or defray the cost by rendering service, etc.

(c) In failure of monsoon for payment of revenue and for other ceremonial purposes, etc., loan has to be taken.

In my district on the advance of paddy a profit of 25 per cent or 50 per cent is charged but 50 per cent is more in vogue. On cash loans poor agriculturists are charged interest at 6 pies to 1 anna per rupee per month or even more. The time limit for repayment of loans is generally 12 months. In majority of cases however there is no liquidation for years together. By way of security sometimes the field is given for sowing in view of interest. The standing crops also are given as security. There are conditions of payment of double or triple interest on failure to repay the loan within the prescribed period. Personal sureties are also accepted.

For agricultural purposes taccavi loans are granted by Government but the amount of taccavi falls too short of an ordinary agriculturist's requirements. There are difficulties also in the way of obtaining taccavi loans.

The co-operative banks afford adequate relief to its members only and their number is like a drop in the ocean. Professional money-lenders give loans on production of good surety or according to income of a borrower but their rates of interest are very high.

Few people go in for grain advances. The conditions of grant of such advances are their repayment by sawai or dedhi (25 per cent or 50 per cent profit).

In the present system the high rate of interest is the chief defect. Loans in advance are generally taken for rabi crops. The result after is that crops are held at the time when the market rate is low.

The remedy for all this lies in opening of co-operative societies for brokerage, purchase and sale of crops.

There is no co-operation of any kind among various credit agencies including Government.

QUESTION 2.—In my district marketing of crops is done through Kachhia. At the time of cutting crops servants and agents of the Kachhia go to villages and lowering the price, purchase the crops at cheaper rates. It is only the well-to-do agriculturists who wait till the crops fetch proper price.

There are great possibilities for forming pools to market produce. For export of goods roads are necessary as there is total absence of good roads. It is necessary to open a Ganj at Bilaspur. The tax realized by municipality at present is also detrimental. There does not seem to exist any facilities for financing marketing of produce. For internal remittances hundis, cheques, etc., are used but agriculturists have no concern with them.

QUESTION 3.—The value of land per acre for different kinds of crops is—

- (1) Paddy land from Rs. 30 to Rs. 50.
- (2) Unhari land from Rs. 20 to Rs. 50.
- (3) Padias fallow land from Rs. 10 to Rs. 30.
- (4) Garden land from Rs. 20 to Rs. 30.

Irrigation low-lying land, irrigation canals and kharis have their influence on the value of land.

MR. DINANATH AGARWAL.

Value of land in Government auction for non-payment of revenue and in the event of sale by court decree is cheap. Land purchased by private negotiation fetches a good price.

QUESTION 4.—There are legal impediments to mortgage occupancy land. There are no land mortgage or agricultural banks. The co-operative society at times accepts land in mortgage for the sake of proper security only. Starting of land mortgage banks is necessary and its working should be conducted exactly on the lines of similar institutions existing in other provinces.

The records of rights need improvements in the following manner.

The receipt books that are given to agriculturists should contain the numbers of fields in their possession. At present the totals of revenue and area of the entire holdings are given. Details of each field should be mentioned separately. This would facilitate agriculturists to find out numbers of fields.

Any land purchased by agriculturists should be taken on the receipt book along with the date of purchase and the area thereof. If all this information is contained in the receipt books it will dispense with the necessity of a reference to the Patwaris' records. In the record of rights maintained by the Patwaris only the name of the principal person in the family is written while for the names of his brothers the term, etc., is used. This should be discontinued and all names should be written in full.

QUESTION 5.—For loans obtained on mortgage of land the rate of interest charged is less. Grant of loan on mortgage of land or any other property is more profitable and secure to the money-lender instead of mortgage of ornaments or demand note or personal surety. Generally the rate of interest on demand notes is high.

In villages many agriculturists go in for debts for purchase of cattle or for marriage and other social occasions. In Brahmins and other higher castes expenses in marriages are generally heavy. Debts are taken for purchase of land also. For improvement of land, etc., loans are taken from Government. For purposes of seeds the requisite amount of money is not available. The co-operative bank issues loan to their members only.

People are more inclined to become members of co-operative banks these days, because of several advantages they get. But at present it is indigenous bankers who advance money in large sums for purposes indicated above.

Agriculturists holding large properties are required to pay interest from Re. 0-8-0 to Re. 1 or Re. 1-8-0 per cent per mensem. Ordinary agriculturists have to pay from one pice to one anna per rupee. Sometimes the rate of interest is one anna per rupee per bazaar which is called "Itki".

If interest is not realized annually, then it is deemed the principal. Indigenous bankers accept cattle, gold and silver ornaments, paddy, carts, buffaloes, etc., in repayment of their money.

In the famine zones (like the tahsil of Mungeli) the agriculturists go for work in the famine camps. If this process goes on, it will certainly take away from the actual cultivator to produce more and in an efficient and better manner.

QUESTION 6.—There are no subsidiary industries worth the name. There are just a few concerns such as gur-making, rice-hulling and flour mills with which the agriculturists in this district come more in contact.

Petty agriculturists go in for labour after cultivation is over. Many go to the jungles to collect fuel or bamboos for sale. Gur-making is done by those only who have their own produce of sugarcane. Basket making is confined to a particular caste known as *Basores*; weaving of cloth cannot stand competition with mill cloth. Some people are of opinion that if agriculturists take to "charkha" in their spare time they will be able to produce cloth at least to meet their own requirements. On the other hand, there are others who think that the use of the rough thick khadi cloth will not appeal to many people. The fact is that though there are many industries which can be introduced in the villages but all these require the necessary training in their initial stages. In the bazaars one finds several kinds of toys, buttons, needles, combs, soaps, socks, banjans, etc. If you are really so keen on improving the condition of

MR. DINANATH AGARWAL,

agriculturists, let them have first the training in these industries and then introduce them in the villages. The working capital for such industries should either be supplied either by Government or bank or there should be new companies started for the purpose.

QUESTION 7.—The joint stock and the Imperial Banks do not seem to have any particular relation with each other. The Imperial Bank has only granted some cash credit to some of the joint stock banks. It is necessary to open separate central co-operative banks in places like Mungeli, Janigir, Katghora, Pendra, Chadrapur, Balod, in this district. They would require facilities indicated in the questionnaire. In this district about 2,000 agriculturists have derived benefit from the co-operative movement.

Legislation is necessary but it would not be advisable to enact any legislation making it obligatory for the money-lenders to hold a licence.

It should, however, be made legally compulsory for the money-lender to pass a receipt to his clients for the money paid by them and to supply them a copy of their accounts on demand. The financing of primary societies should be done by the Central Banks.

Part II.—Indigenous Banking.

QUESTION 1.—In this district indigenous bankers live in villages or in towns.

The paddy loans are advanced on condition of repayments or by *sawai* or *dedhi* (i.e., 25 per cent or 50 per cent in excess of the principal). By way of security land is mortgaged either with or without possession. Possession is given in view of interest.

On money loans, with mortgage of property big agriculturists are charged a lower rate of interest, but to ordinary or petty agriculturists loans are not advanced for less than one pice or two pice per rupee per month and sometimes it is observed that this rate is even one or two annas per rupee per month.

City bankers or merchants deal in hundis, etc. Some of them accept deposits also on which interest is paid from 12 annas to Re. 1 per cent per month.

QUESTION 2.—Indigenous bankers advance loans for purchase of bullocks and buffaloes or for business in them. Loan is advanced for purchase of land also. But the rate of interest charged on these loans is very high. Loans are advanced for carrying on business such as buffaloes selling, weaving cloth and rice trade but recovery in such cases is made soon.

QUESTION 3.—(a) Amount of capital invested in their business by petty bankers is from Rs. 500 to Rs. 2,000 while bigger ones deal in thousands; sometimes the amount of loans advanced by these bankers is Rs. 20,000 to Rs. 25,000.

(b) The volume of business of petty bankers is confined to villages near about but bigger bankers have their dealings with people living at long distances.

(c) Expenses incurred by these money-lenders in connection with their business are very few. Village bankers do all their work themselves. In bigger shops in cities the work is done through agents but expenses even in these cases are not much.

(d) In this district these banks have no concern with each other.

(e) There are no Imperial or joint stock banks in this district nor they afford any facilities to indigenous bankers.

QUESTION 4.—Samples of hundi, receipt and stamp are given below:—

To Bhai Ganeshdas Thakurdas	...	... Bombay.
From Ganeshdas Sheoprasad	...	... Rutlam.

Hundi one for Rs. 1,000 (one thousand in words). Half of this Rs. 500 of which double the amount is kept here with Bhai Ganeshdas Kisanji. Pay the amount of the hundi in cash on the 1st of Bhadwa Sudi.

MR. DINANATH AGARWAL.

Dated Bhadwa Sudi 1st Samdal 1986. Written by Ganeshdas.

Rs.

(On the reverse)

... 1,000 Complete rupees one thousand four times of rupees two hundred and fifty.

(2) Receipt.

Written by Ram Govind son of Sheo Govind, caste Kalar, resident of Old Line, Bilaspur. That in respect of the amount of Rs. 200 borrowed from Pandit Chhitari Prasad, son of Mitani Prasad Duby of Sadar Bazar, Bilaspur, for the purposes of my shop received in cash by me personally. This receipt is written as a proof thereof.

Dated 30th September 1929. Signed Ravi Govind Kalar of Old Line, Bilaspur.

Witnesses:—(1) Ram Vishal Koshta, Old Bilaspur.

(2) Ram Sahai Wani, Gondpara, Bilaspur.

(3) Stamp.

Written by Ramgovind, son of Sheogovind, caste Kalar, resident of Old Line, Bilaspur. That I have to-day received in cash a loan of Rs. 200 in cash from Pandit Chhittari Prasad, son of Mitani Prasad Duby, banker, Sadar Bazar, Bilaspur, for the purposes of my shop. I shall pay interest on this amount at the rate of Re. 1-8-0 per cent per month up to the date of its liquidation. This amount with interest thereon I shall repay within a period of 12 months. If I fail to pay the amount within the stipulated period the interest accrued thereon will be merged in the principal after 12 months. Any repayments made by me will be written on the bond in the presence of witnesses. This bond is written by me of my own accord and in full consciousness as a proof of my having received the consideration thereof and in order that it may be useful at the time of necessity.

Dated 30th September 1929. Signed Ramgovind, Kalar, of Old Line, Bilaspur. Received Rs. 200 in cash.

Witnesses:—(1) Ramvisal, Koshta, Old Bilaspur.

(2) Ram Sahai, Vani, Gondpara, Bilaspur.

QUESTION 5.—Indigenous bankers advance loans on mortgage on execution of a receipt or stamp. At times they accept sureties also. Their sole object in advancing loans is to deprive the debtor of some of his best land or garden, etc. Sometimes when these bankers are engaged in other business also they try to give loans in form of articles in which they have their dealings. The amount of such loans is however very meagre. When they find that money advanced as loans is not recoverable, they generally try to recover it some how or the other in these shape of articles such as bullocks, buffaloes, carts, land, etc., etc.

QUESTION 6.—The agriculturists pay interest from one pice to one anna per rupee per month. Sometimes they pay at 2 annas per rupee. The general rate in vogue, however, is half anna per rupee.

Government should enact some legislation fixing limit to the rate of interest and rendering money-lender liable to legal punishment for infringement thereof.

Co-operative societies should be established on a wider scale. Reduction of rates of interest would certainly confer a great benefit on the agricultural community.

QUESTION 7.—There is apparently no prejudice against indigenous bankers. But when they charge a high rate of interest it undoubtedly creates unquiet among the agriculturists. Sometimes the money-lenders do not pass receipts for the repayments of loans received and after some lapse of time file suits against their debtors for the very same debts. Besides this, they indulge in any kind of dishonest means against their clients by taking advantage of their ignorance. Money-lenders should be legally enforced to pass receipts to their debtors for all kinds of payments made by the latter. They should also be compelled to supply copies of accounts to debtors on demand failure of which they would be liable to punishment.

Similarly village panchayats should be empowered to inspect records of these bankers.

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Part III.—Investment habit and attraction of capital.

QUESTION 1.—In this province existing banking resources are (1) the indigenous bankers, (2) the co-operative societies, (3) the Imperial Bank, (4) the Provincial Bank, etc.

In this district it is the co-operative society only that encourages its members to invest their money and these people derive sufficient advantage therefrom. The agriculturists however are not in the habit of investment; perhaps they are not able to save any money.

Rural people can very well deposit in co-operative banks. When these people deposit their money with co-operative banks they should be exempt from one anna stamp duty at the time of withdrawal. In India an average agriculturist can spend very little in purchase of gold or silver. And all this gold and silver ultimately sees the door of the money-lender. The sale of gold and silver in bits looks much to the eye. The city people purchase gold and silver in comparatively larger amounts. Just as banking companies keep a certain proportion of their capital as reserve, similarly if ordinary agriculturists also were to invest their money in gold and silver to a certain extent, where is the harm. This would help them in times of need. If big people give up the use of gold and silver ornaments and of costly stones, the poor villagers will not escape unaffected by their example.

QUESTION 2.—The postal cash certificates are popular in this district, among the city people and particularly Government servants. Similarly these people invest their money in savings banks also.

In order to attract other classes of people to invest their money in savings banks, the first and the only method is education—the introduction of compulsory education facilities would expel ignorance of the people and would make them appreciate the use of these institutions. At present owing to their ignorance and fear they cannot do anything in the matter although they may have a little saving with them.

QUESTION 3.—In this district produce of land is on an increase and people pull on with their family expenses by sale thereof. They do not spend anything in luxury but on the contrary they are very much hard up with expenses in connection with marriage and other social customs, and grand feasts, etc., in that connection. It is very essential to abolish these social evils. In some castes the social fine or penalty is imposed in large amounts which is generally responsible for poverty of the people. Tendency for hoarding is quite human and if people spend their little savings in purchase of gold or silver it is because of this natural tendency in them. In times of need farmers lend money to fellow agriculturists but in doing so they are actuated by very little humanitarian feeling. Their only anxiety is to secure possession of the land of the needy agriculturists.

In a prosperous year agriculturists utilize their money in paying off old debts or in purchase of land.

QUESTION 4.—Cheque habit is more in vogue in cities. Rural population and agriculturists do not come in contact with cheques at all.

In order to induce people to invest their savings in productive undertakings Government should first undertake necessary propaganda in regard to these undertakings and to give people necessary training in that respect.

Hundreds of kinds of new articles are seen in the bazars these days but they are all foreign made. All these things have become necessary and efforts must now be made to produce them in this country. The Government should open a school of handicrafts like the one in Nagpur, in each district headquarters. When there are schools of all industries opened in the province people will automatically learn to invest their money in them.

Oral Evidence.

Raipur, the 20th February 1930.

Replying to the Chairman, the witness said:—I have cloth business and my brother is a pleader. In answer to question 4 on page where I have stated that the working of the land mortgage bank should be conducted exactly on the lines of similar institutions existing in other provinces, I mean only that whatever form of land mortgage bank is most suited to the local needs of agriculturists should be introduced.

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Continuing he said that he had one village himself and his brothers owned 27 other villages. He was speaking from his own personal experience when he advocated that in the rent receipt books of tenants, khasra numbers of their fields should also be added; as at present it was impossible for anybody to find out, from examining the rasid-bahi itself, what fields were held by the tenant. He has proposed that in the record of rights the names of all the share holders in the property should be entered. He is also in favour of the proposal that when any mortgage is executed, the Registration Department should at once inform the Land Records Department of the district concerned and that the fact that any particular land has been mortgaged should be at once entered in the Jamabandi remarks column.

*In reply to further question by the Chairman, the witness said:—*I have made some remarks about the famine relief work in my reply. The last famine which I saw was the famine of 1900 and, during the relief operations, a lot of money was swallowed by dishonest subordinates but I cannot say whether there has been any improvement in the modern famine procedure.

I am also of the opinion that, if at the time of famine, persons have to go long distances to find work, their cultivation will eventually suffer and therefore, as far as possible, work should be provided to them near their homes.

As regards my remarks on the question of subsidiary industries, I am not of the opinion that only particular castes will do particular work in future. The time has now come, in my opinion, when it is quite possible for persons of different castes to take up the various occupations, and there is no reason why even Brahmans, Kunbis, etc., should not do the work of oil-extracting by machinery. If local bone-crushing machines were introduced, it is possible that only the Chamars would be willing to work the machines; but the Hindus would have no objection to using bone when it is crushed, because it would not be called bone but by some other name. As a matter of fact, night soil manure by the name of "sonkhat" has been introduced and people have had no objection to use it. If the price of bone manure is high it is due to the fact that large quantities are purchased for export to Europe and this export should be prohibited or a tax should be imposed in order to keep this bone manure inside the country. I am quite prepared to take a lead in a propaganda for increasing the use of bone manure and there are many other persons willing to join in breaking down old prejudices, as soon as the benefits of using this manure are made plain. It is a matter of experience of my own lifetime, that, in the old days, people objected even to touching the cow-dung manure and using as a manure: but as soon as they were convinced that this manure was more profitable to them, they began to use it. As regards the amount of capital required for these subsidiary industries to which I have alluded in my written statement, I have referred only to the expenses of training persons in the new professions.

*In reply to the Chairman's question the witness stated:—*My principal objection to the introduction of licences to money-lenders is that the communications in Chhattiagarh are bad and the area is very vast and the number of money-lenders in this part of the country even if this rule is introduced, will take long time before they understand how to take licences. I am also afraid that the effect of issuing licences would result in having the money-lenders to be much under the control of Government. I think, however, that the granting of receipt on bonds and of keeping of accounts of the amount should be made compulsory by law. In recommending the power to village panchayats to inspect the records of local Mahajans I meant only that when any dispute arises over the amount which is due from any particular person Village Panchayat should be empowered to inspect the accounts of that individual person and that should be empowered to look into the private business of the money-lenders.

*In reply to the Chairman's question the witness stated:—*That about 50 per cent of the tenants in Bilaspur district are in the habit of taking seed upon loan at 50 per cent seasonal interest. The witness further stated that he did not agree with the view that the agriculturists would be likely to conceal their debts at an officer's inquiry generally because by telling that they were more heavily indebted they were likely to get enhancement in remission. This is the reason for the tendency to exaggerate, if anything. But the case of persons

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who desired to obtain money as members of co-operative credit society was quite different. They know that persons who are heavily indebted would not be taken as members and might not receive loans and here the natural tendency might be to conceal debts.

*Replying to the Chairman the witness also stated:—*That he did not think it desirable at present to make special reasons to enable an ordinary cultivator to hold up his produce in the hope of getting a better price. He quoted an instance of rice being sold at 50 per cent less than the price a few months ago and pointed out that the price was just likely to fall as to rice and also the tenant would have to pay interest charges if he borrowed money to hold up the crop. There was also danger of rat and vermins eating the grain or being injured by being kept. He stated that in his opinion it was far better for agriculturists to sell up his crop as soon as he conveniently can. The witness also stated that he was not in favour of granting any further rights of transfer than those existing at present. He thought the grant of further rights of transfer to the tenants would do more harm than good.

*Replying to the Chairman the witness also stated:—*That in his opinion 90 per cent of the malguzars and other big persons in rural areas desire to keep tenants backward in order to maintain their own prestige and influence in rural areas. He agreed that there were certain vested interests which were opposed to the development and advancement of the people.

*Seth Narsinghdas Daga: Replying to the questions the witness stated:—*In Chhattiagarh greater portion of money-lending is done by malguzars in rural areas and in urban areas the money-lending is carried on by Mahajans to a greater extent. The rate of interest of half an anna and one anna per rupee is only with respect to very small loans. On larger loans the amount of interest that I have known has been one pice per rupee. The rates of interest have recently gone up. Formerly the maximum rate of interest that I have known was only one and a half per cent per month. The rate of interest has gone up because the people are spending more on their maintenance as well as clothes and as the rates of commodities have gone up people want more money than is available in the money market.

Rao Bahadur M. G. Deshpande: Have you home farm land?—Yes.

What kinds of crops are sown?—Dhan, wheat, juar and cotton, etc. I have only a small area under cultivation. Rice cultivation in my land as elsewhere in Chhattiagarh is *Biasi*. The profits from transplantation are greater but transplantation is only possible in irrigated area and therefore *Biasi* is not profitable. The Government does not give as much taccavi as is really necessary. As far as I know the amount given is inadequate. If taccavi is given to an adequate extent the agriculturists will certainly be benefitted. The only reason why tenants do not get necessary taccavi is that Patwaris and Revenue Inspectors do not recommend grant of taccavi to any persons until they have been paid some bribe and I believe that the Government are aware of this as several times action has been taken against such persons. In my opinion the only remedy is to appoint an entirely separate department for distribution of taccavi and Government loans, and the officer should personally attend to this matter and this would do away with these petty dishonesties. In villages where co-operative societies are the Mahajans have not reduced their rate of interest so far as my observation goes. The number of co-operative societies at present is so small that it cannot affect the general rate of interest in Chhattiagarh. If the number is increased it may begin to compete indigenous money-lenders and may result in the reduction of rate of interest.

Chairman: Are you aware that the Patwari never does anything for any body without taking some money from him?—Yes. I am quite aware of this. This is my own experience.

Do you not think that if the duty of making entries of mortgages and encumbrances in Jamabandi is entrusted to him he will make use of this for extracting money from people also?—I think so. There is no harm if malguzar is also asked to keep a record of encumbrances. The patwari keeps such *Dabawa* over tenants that the lot of many of the malguzars and tenants is very bad.

Rao Bahadur K. V. Brahma, C.I.R.: You have stated that there should be legislation fixing the rate of interest. Is it not?—Yes. The maximum rate should be 37½ per-cent.

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Chairman: Do people ever charge higher than this?—Sir, why ask me. It is so well known. Under the present conditions the local sowkars expect to make 25 per cent per month profit on capital. I refer to the petty money-lenders only.

Rao Bahadur K. V. Brahma, C.I.E.: In reply to the question the witness stated: That there was no material difference between the rate of interest charged from absolute occupancy and occupancy tenants. The rate of interest depends entirely upon personal honesty of the individual. The land mortgage bank will be useful for those who have right to mortgage. I am not in favour of granting occupancy tenants even the right of mortgaging their land to the mortgage banks in order that they may have no power of transferring their land.

In reply to Rao Bahadur K. V. Brahma C.I.E., the witness said: In my recommendation that no stamps should be necessary on a receipt for repayments received, I refer only to money received from the co-operative banks and from the Post Office withdrawals. Most of the villagers sell their grain in the villages to travelling dealers who come to purchase it. They suffer considerably because these persons do not give them the full price and also are dishonest over the measures and weightment. These persons are generally Kachhia and Marwadis.

In reply to Professor A. C. Sen Gupta the witness said: It is customary not to mention the rate of interest when the document acknowledging the loan is in the form of a receipt, because if the rate of interest is mentioned, it becomes a bond and is liable to stamp duty; and the rate of interest is mentioned in a separate letter.

In reply to Mr. P. D. Pundlik, M.L.C., the witness said: In my written reply I have said that the local grain dealers in the villages deceive the tenants by lowering the prices and increasing the weight, etc. I mean by this that they tell the cultivator that they are paying a price slightly more than the bazar rate. but when they measure, they use a larger measure and thereby get more grain.

In reply to the Vice-Chairman the witness said: The Mahajans who lend out grain on the bari system store it in their own barns. Very little damage is caused to the grain in these Mahajans' barns.

In conclusion the witness stated that he wished to make the following recommendations:—

that agriculturist schools should be opened for the teaching of agriculture to the sons of agriculturists, and

that there should be also some vocational and commercial classes for teaching trades and professions to others, as in United States of America, Japan, Germany, etc.

MR. UDAI SINGH BISEN, B.A., LL.B, Pleader and Honorary
Secretary, Co-operative Central Bank, Bilaspur.

Reply to the Questionnaire.

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

QUESTION 1.—(a) For expenses during cultivation, the agriculturist in this district mostly has to borrow grain on barhi system for purposes of seed as well as for paying his field servants who generally take their wages in the shape of grain. The financier in such case is either the malguzar of the village or any tenant who has got an extra stock of grain to spare for Barhi business. When money is required the local sowkar advances it on interest.

(b) For capital and for permanent improvements, the agriculturist borrows cash from the local sowkar on interest or takes taccavi loans from the Government in some cases or sometimes borrows grain on barhi system from the aforesaid persons.

(c) For other special needs, the agriculturist secures finance by borrowing from the local sowkar cash loans on interest or from the malguzar or well-to-do tenants dhan loans on barhi system. In case of failure of monsoon, he sometimes migrates to some industrial centres, e.g., collieries, jute mills, etc., for earning and saving money to meet the expenses for the next agricultural season. The Co-operative Central Banks seldom advance money for the special needs enumerated in the questionnaire. The Co-operative Central Banks in district where they have been started, also finance the agriculturist with cash loan on interest for his requirements during cultivation and for capital and permanent improvements.

Interest and period of repayment.—In the case of grain loans, the rate is generally deorhi barni, i.e., the principal repayable with 50 per cent interest after the harvest next following the date of advance. In some cases sawai barhi, i.e., 25 per cent interest is charged. In default of payment compound barhi at the deori or sawai rate is also charged in many cases. In the case of cash loans from sowkars, interest varying from Rs. 37-8-0 to Rs. 75 is charged and in some cases compound interest is also charged. The rate of interest charged by co-operative banks varies from 9 per cent to 12 per cent per annum. In cases of cash loans the period of repayment is usually one year from the date of advance.

Security.—Security is not usually taken. In some cases, standing crops are hypothecated to secure the loans. Special conditions are seldom attached to the grant of loans, personal securities are also taken. For cultivation purposes taccavi loans are granted by Government but as a matter of fact tenants do not generally get taccavi loans to the extent of their full requirements. From co-operative banks only those tenants get help who are members in co-operative societies and who are like a drop in ocean. Indigenous bankers do help to a much greater extent but their rate of interest is terribly high. In the present system of advancing loans the main defect is that there is no co-ordination between the joint stock banks on one side and indigenous bankers on the other side. When tenants require money before crops are ready they had to take advances on their crops much higher than the existing rate. For instance if a tenant requires Rs. 30 for household or other expenses in the month of September or October, he will approach the Kachhi or other money-lenders with promise to repay him in kinds after their crops are harvested, i.e., in December or January at much higher rate. Establishment of different kinds of co-operative societies on an extensive scale will be the best remedy for these evils. There seems no co-ordination between the various credit agencies as already stated. It is necessary that indigenous bankers should form themselves in an association. Then there will be perfect guarantee for the depositors who chiefly require safety for their deposits.

QUESTION 2.—In our district the crops are sold through the Kachhis. At the time of harvesting, the servants or agent of these Kachhis make extensive tour in the villages and purchase the crops at a much cheaper rate. Only substantial tenants can stock their grains and sell them when market is favourable. It is essential to form as many purchase and sale co-operative societies or adat shops as possible at suitable and convenient centres. Construction of more roads is also required to bring the crops in market. Opening of a ganj in Bilaspur is the great need of the district.

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QUESTION 3.—In Bilaspur district value of land for different kinds of crops is as following:—

1. Dhan (kharif) from Rs. 50 to Rs. 100 per acre.
2. Rabi from Rs. 50 to Rs. 100 per acre.
3. Waste land or Paria from Rs. 30 to Rs. 50 per acre.
4. Gardening crop from Rs. 30 to Rs. 60 per acre.

Land which is called Bahranar or which has irrigation facilities fetches more price than other kinds of land. Land in A and B (Government auction or sale by court decree) fetches less value than private negotiations.

QUESTION 4.—In these provinces occupancy land cannot be either mortgaged or sold. There are no land mortgage or agricultural banks in this district for long term credit. The following improvements are required in the patwari papers:—

(1) In rasid bahis granted to tenants number of their fields should be entered. Subsequent addition in their possession should also be regularly entered in them.

(2) In Patwari papers name of all the co-sharers should also be recorded.

QUESTION 5.—The existing outside indebtedness of 3,800 members in 228 co-operative societies in the Bilaspur district is about Rs. 1,71,500 while the inside indebtedness amounts to Rs. 2,42,200, total Rs. 4,13,700. Thus average indebtedness per member comes to Rs. 108. These figures have been arrived at from the records of Societies.

(a), (b) Nil. (c) The abovementioned debts have been advanced on the general security of all the assets of an individual member without any specific pledge. Of Rs. 2,42,200 the debts amounting to Rs. 1,74,648 were incurred by the members during the year 1928-29 for the following purposes:

(a) 11 per cent, (b) 3 per cent, (c) 1 per cent, (g) 12 per cent, (h) 5 per cent. Total 32 per cent.

For purchase of plough cattle 63 per cent, for purchase of carts 1 per cent, house-building 2 per cent, for other purposes 2 per cent—Grand Total 100 per cent.

The rates of interest charged by sowkars vary from Rs. 9 per cent to Rs. 37-8-0 per cent and over in rare cases. The method used for calculating interest by indigenous bankers is that whenever any repayment is made by the borrowers they first recover the interest crediting the balance towards principal and thus the calculation of interest is done several times, i.e., as many times as recoveries are received during the year, while the co-operative societies have adopted katmitti system in resting the accounts once a year. In our opinion some cases will be found in almost all villages where people who have been efficient farmers have been turned into tenants for a period or tenant-at-will through the process of enforcement of old debts and the landed property passing on into the hands of the creditor. This process takes away from the actual cultivator the incentive to produce more, and in an efficient and better manner.

QUESTION 6.—The subsidiary industries allied or supplemental to the agriculture existing in our district are as under:—

- (1) Gur-making, (2) gardening, (3) carting of fuel and timbers, etc., and
- (4) some other minor occupations.

In our opinion schools for the training in various industries should be started in each and every district like Handicraft School of Nagpur. Government should take initiative in this matter.

The spinning wheel (Charkha) is most commendable for the agriculturist to make full use of his leisure time and this is the only cottage industry in the present circumstances which requires encouragement and which will make him to supplement his income to a certain extent without undergoing any training of expensive nature. This does not require any credit facilities like other industries, cloth made from these handspun yarns would not be so much as would require any marketing facilities. Each village would be self-supporting in this respect.

QUESTION 7.—In this district the co-operative bank has relation only with the Provincial Co-operative Bank, Nagpur, which alone has some relations with the Imperial Bank of India and some other Joint Stock Banks. We have no experience of any difficulties existing in the matter of finance both in regard to short and long term capital. We do not require any amount of extra capital for

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financing co-operative movement. What is required is not the extra capital but the establishment of more Co-operative Central Banks in each and every tahsil.

In this district there is no competition between the co-operative bank and joint stock banks—the latter do not exist at all.

The co-operative movement in this district has succeeded to a great extent in meeting the financial needs of about 3,800 agriculturists.

The provisions of the Usurious Loans Act are not fully availed of in the province in the manner that ought to be and in our opinion the issuing of circulars for the direction of the Courts seem to be necessary for the greater use being made thereto. The passing of laws, e.g., the law of *dam dupat* which is in force in some parts of India would also improve matters.

In our opinion it does not seem necessary that any provisions be made for licensing money-lenders but in our opinion it would be better if it is made obligatory on the creditors to supply their debtors with copies of their accounts when the latter demand them from the former.

In our opinion the financing of primary societies be done by the Central Banks.

Part II.—Indigenous Banking.

QUESTION 1.—There is no indigenous bank in this district. There are individual and private firms which receive deposits and deal in hundis and also do money-lending business. These private firms also deal in cloths, bullion, grain, etc. Some of them are commission agents also.

QUESTION 2.—Firms and individuals dealing in grain advance sums to the agriculturists with an understanding that latter would supply the former with grain at an agreed rate which is generally higher than the market rate prevailing at the time grain is to be supplied. They also assist smaller industries e.g., weaving by advancing loans to them in cash and kind. Loans are also advanced, for petty trades, e.g., rice, cattle, etc.

QUESTION 3.—There is no organization of the Indigenous Banking system in this district and therefore no answers can be given to class (a), (b), (c), (d), and (e) of the question.

QUESTION 4.—Private firms generally deal with two kinds of hundis (1) simple and (2) *darahani*. Hundis are issued by firms to the extent of the amount standing in their credit in the firm on which hundis are drawn.

QUESTION 5.—Private bankers grant loans generally on the security of land and other immovable properties and pledging of ornaments. They also advance loans on simple bonds or receipts. Sometimes they also advance loans on the securities of others.

They advance loans to the persons to the extent of their solvency, and the terms vary in each case, ranging from 12 per cent to 75 per cent per annum. The period of these loans vary from 1 to 3 years generally.

The means by which the bankers provided themselves with funds to meet their demand are (1) their own capital, (2) borrowed capital and (3) by accepting deposits.

The rate of interest allowed on various kinds of deposits received by them is from 6 per cent to 12 per cent.

Yes, it is a custom among some indigenous bankers who carry on other business besides banking to insist that advances made by them should be taken in commodities as far as possible and not in cash.

There is no such custom of which we know in which repayments by sale of goods through the creditor are insisted.

QUESTION 6.—The rate of interest which the agricultural community has to pay at present to the indigenous bankers are:—

(1) on money from 12 per cent to 75 per cent per annum the most usual rate being 37-8-0 per cent per annum;

(2) on grains the rate is 25 to 50 per cent;

the latter rate is most prevalent in this district. This is about dhan, wheat, gram and rahn but on urad, moong, andi, tili, alai the rate of interest is cent per cent.

These rates of interest can be brought down to an appreciable extent if the agriculturists start some unions on co-operative principles. The reduction of such rates would certainly confer great benefit on the agricultural community.

QUESTION 7.—There is no prejudice against indigenous bankers. Yes, there is sufficient protection in law for these bankers. There is no need of any legal or other facility to be extended to them.

QUESTION 10.—Yes the indigenous banks and bankers are unable to meet all demand for accommodation and they are obliged to refuse loans on account of the

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unacceptable nature of the security offered and also on account of the insufficiency of their working capital.

QUESTION 12.—No, there is not a large amount of money in the district in the hands of the indigenous bankers which does not find employment throughout the year. Whatever capital they have is kept employed throughout the year.

Part III.—Investment habit and attraction of capital.

QUESTION 1.—The existing banking resources in the province are share capital and deposits. We cannot give an idea of the additional capital if any required.

The means or institutions in existence for encouraging savings and investment habit are as follows:—

- (1) Postal Savings Bank,
- (2) Postal cash certificates,
- (3) Life Insurance Companies,
- (4) Government securities,
- (5) Imperial Bank of India,
- (6) Allahabad Bank,
- (7) Bhargava Bank, Jubbulpore,
- (8) Firm of Raja Gokuldas, Jubbulpore,
- (9) Central Provinces and Berar Provincial Co-operative Bank,
- (10) Co-operative Central Banks in all districts,
- (11) Rai Bahadur Bansihal Abirchand,
- (12) Co-operative societies in the Province, and
- (13) Petty firms receiving deposits.

Central Co-operative Bank of Bilaspur in order to encourage investment habit has started saving deposit business. The rate of interest allowed by the Bank is $3\frac{1}{2}$, i.e., $\frac{1}{2}$ per cent more allowed by the Post Office. The societies under the bank have also started deposit business with the result that deposits in societies are increasing.

The public have been provided with full facilities for the investment of their savings in Post Office and in banks but if for withdrawal of over Rs. 20 from the co-operative banks and societies, the stamp duty is remitted, as in case of post offices the facilities will be improved. The existing facilities can be extended in the smaller interior places through the rural co-operative societies.

In absence of banking facilities the people of India invest their savings in silver and gold.

QUESTION 2.—Postal cash certificates are not so popular as they ought to be in this district and the reasons seem to be that there had been no adequate propaganda for increasing their popularity.

Men in service are predominating in making investment in savings deposits.

QUESTION 3.—The money which comes in the hands of agriculturist by sale of their produce is generally spent in meeting their current needs and is hardly sufficient for that purpose even. There is no tendency towards hoarding. Very few well-to-do farmers lend to fellow agriculturists. Terms are the same as in the case of other money-lenders. In a prosperous year the farmers invest their surplus money in purchasing land or in making land improvements.

Oral Evidence.

Raipur, the 21st February 1930.

Chairman: You have given to the Committee a written note of the evidence which you desired to put in? Do you wish to add anything further to that statement before we commence to ask you certain questions which arise from that statement?—No.

How long have you been connected with the co-operative movement?—For six years.

I understand that Bilaspur Central Bank is working better than most other banks in the province. Is this correct?—Yes. This is correct.

How many societies have you got?—We have got about 238 societies.

In how many societies have the members made deposits?—Almost in all societies which include 98 share societies in which they have also made deposits.

What is the total amount of deposits in societies?—It is about Rs. 13,000.

What is the total amount of loans outstanding at present due from societies to the Central Bank?—It is about two lakhs.

Then the amount of deposits by the members of the societies is insignificant?—Yes.

Have these deposits been in progress for many years?—Yes.

MR. UDAI SINGH BISEN.

Do you see any prospect of a substantial increase in deposits—Yes.

Have you any views on the question of land mortgage banks for dealing with loan term loans?—Yes. A land mortgage Bank is necessary.

The land mortgage Bank would normally issue cash certificates intended to increase the habit of thrift in rural areas. Do you think there would be any objection if these certificates were sold through local societies?—There should be no objection, I think.

Rao Bahadur K. V. Brahma, C.I.E.: I understand Bilaspur Bank has made a survey of subsidiary industries. Would you favour the Committee by supplying a statement?—I give a statement for the information of the Committee of the income made by members of societies by pursuing supplementary or subsidiary occupations. The total number of members is 3,703. Out of these 3,235 take to subsidiary occupations, and the income made is estimated at Rs. 2,31,767. The various kinds of occupations pursued are given in the statement that I hand over to the Committee.

Professor A. C. Sen Gupta: Do cultivators in your district sell their grain immediately after harvest or they sell in small quantities when they are in need of cash?—Generally they sell at harvest time.

Do you know that Mahajans calculate interest as many times as recoveries are made. How many times do cultivators pay to the Mahajans?—If the amounts are not paid compound interest is charged and this the people do not like.

Are there any grain advances on the condition that they should be paid back in grain. Is this practice common?—Yes. It is a very common practice.

What is the rate of interest charged in the villages in your district. It is very much lower than Bazar rate. It is not very much lower if the Bazar rate is 5 it may be 4.

That will be interest, Is it not?—Yes.

Seth Narsinghdas Daga: On page you mention about hundis simple and darshani. What is meant by a simple hundi?—Simple hundi means mudati hundi. On page and you have written about interest charged by sowkara. Can you tell what is the rate of interest—37½ to 75 per cent is the rate of interest.

You suggest in your reply that the rate of interest charged by the sowkara varies between 37½ to 75 per cent.

Do they not ever lend money at less rate than this?—Not generally.

In another part of your reply you have stated that the average rate is between 9 per cent to 37½ per cent. Can you say anything about this?—This is the rate which is charged from big borrowers on large loans. But on debts below Rs. 100 the minimum rate on interest that I know of is two pice per rupee generally.

What is the rate of interest on deposits in your bank?—In our bank the rate of interest is 4½ per cent for one year and for two years and above it is 4½ per cent.

Can you say what is the net percentage of profits?—I cannot say without seeing the figures.

Vice-Chairman: Your bank generally recover about 90 per cent of its outstanding debts every year. The successful working of the good recoveries of your bank are largely due to the better quality of your paid staff. Is it not?—Yes. Moreover, from the beginning members have been taught the value of punctual repayment.

One witness from Mungeli told us that the number of societies in that tahsil was very few. What is the cause?—We have concentrated our attention to Bilaspur tahsil. We are now trying to establish societies in Janjgir tahsil.

You want increased staff if there is to be strict supervision. Is it not?—certainly.

You believe in working over compact areas. Is it not?—Yes.

You have never felt lack of capital for increasing societies?—No.

During the last five years your Bank has been famous as the best bank in the province, in the annual report of the Co-operative Department. Don't you know this?—Yes.

Do you think it would be possible to get large sums of money for a period of 10 years at 5 per cent?—We may get some money but not large amounts.

Have you no deposits for three or four years?—Generally they are for two years and not for more than two years.

Are deposits in your bank renewed even if the rate of interest is lowered?—

Yes. They are renewed even at less rate of interest.

And for how many years?—Generally for two years.

Chairman: Thank you.

Mr. Uday Singh Bisui.

*Statement showing the number of members by caste in the
of additional income which they make*

Serial No.	Caste.	Number of members.			From the sale of forest produce i. e., fire wood or timber.		By dealing with grain.	
		Total No.	Who have no subsidiary occupations.	Who have subsidiary occupations.	Number of members.	Income in rupees.	Number of members.	Income.
1	2	3	4	5	6	7	8	9
	Chamar—							
1	Satnami ... } Rohidas ... } Ramramiha ... }	1,143	108	1,035	516	22,916	47	2,940
2	Kurmi ...	356	53	303	213	10,095	11	828
3	Gond ...	318	74	244	111	5,000	5	255
4	Teli ...	289	26	263	165	7,247	14	1,025
5	Brahman ...	279	62	217	91	4,656	12	1,075
6	Rawat ...	219	35	184	42	2,126	2	110
7	Panka ...	150	11	139	26	1,105	5	296
8	Kewat ...	96	4	92	28	1,290	4	220
9	Barber ...	72	6	66	15	741	...	...
10	Marar ...	64	5	59	19	1,230	...	...
11	Kawer ...	52	7	45	22	825	10	1,050
12	Washerman ...	51	2	49	24	1,350	2	166
13	Mahra ...	45	4	41	13	623	5	300
14	Mohammadan ...	43	4	39	11	562	1	100
15	Chhatri ...	40	12	28	12	1,240	2	110
16	Ironsmith ...	36	2	34	2	88	1	20
17	Kalar ...	28	7	21	10	387	2	272
18	Bargah ...	27	3	24	20	946	...	...
19	Dhimar ...	25	1	24	14	638	...	...
20	Maratha ...	25	3	22	13	592	1	65
21	Bani ...	23	3	20	1	50	3	360
22	Bairagi ...	22	4	18	3	140	...	...
23	Lodhi ...	22	5	17	9	500	...	...
24	Bhariya ...	22	...	22	16	751	...	...
25	Christian ...	21	1	20	6	644	...	...
26	Dahariya ...	19	4	15	9	450	1	45
27	Ganda ...	16	1	15	2	80	...	...
28	Kumbhar ...	16	...	16	2	90	...	...
29	Chauhan ...	14	3	11	2	100	...	...
30	Bhaina ...	14	2	12	4	78	1	55
31	Barai ...	10	...	10	1	40	2	255
32	Goldsmith ...	10	2	8	...	...	...	...
33	Nuniya ...	8	2	6	1	50	1	55
34	Gaderiya ...	8	...	8	1	200	...	...
35	Daraiha Thakur...	8	...	8	8	310	...	...
36	Kosta ...	8	1	7	...	...	...	...
37	Gusai ...	8	...	8	3	140	...	...
38	Dahaet ...	7	...	7	...	...	...	...

Co-operative Societies of the Bilaspur district with the amount in a year from subsidiary occupations.

By dealing with cattle.		By means of service.		From their own occupation.		By working as labourer.	
Number of members.	Income.	Number of members.	Income.	Number of members.	Income.	Number of members.	Income.
10	11	12	13	14	15	16	17
37	2,484	47	6,487	15	1,287	373	16,396
2	180	18	3,232	1	126	53	3,329
7	599	8	1,284	...	...	113	6,872
5	351	9	1,217	32	2,248	38	2,338
7	608	22	6,486	62	8,714	23	5,714
5	351	10	1,650	103	7,400	22	1,515
5	507	18	2,100	52	5,111	33	3,219
1	20	2	574	38	2,702	19	913
...	...	3	444	48	5,315	...	...
...	...	10	900	25	2,804	5	282
...	...	...	...	1	126	12	601
...	...	2	165	12	595	9	498
2	230	3	250	11	859	7	396
5	734	10	1,503	6	902	5	1,242
1	166	9	3,763	...	...	4	490
...	...	...	...	31	4,290	...	...
3	100	1	253	...	...	5	220
...	...	...	...	...	...	4	242
...	...	...	...	7	566	3	162
...	...	6	909	...	...	2	650
...	...	1	100	15	1,676	...	...
...	...	...	...	14	1,224	1	90
3	140	...	...	...	...	5	240
...	...	6	192	...	...	...	...
2	...	4	1,460	2	900	8	700
...	200	3	324	...	...	...	...
...	...	2	180	10	1,166	1	25
...	...	...	...	14	2,505	...	...
...	...	1	150	5	536	3	110
...	...	3	150	...	...	4	224
...	...	...	...	7	...	...	...
...	...	...	...	8	968	...	...
...	...	1	200	...	...	3	350
...	...	...	...	7	700	...	...
...
...	...	...	...	5	904	...	...
...	...	...	...	...	630	...	...
2	...	...	...	4	170	3	130

Statement showing the number of members by caste in the
of additional income which they make

Serial No.	Caste.	Number of members.			From the sale of forest produce i. e., fire wood or timber.		By dealing with grain.	
		Total number.	Who have no subsidiary occupations.	Who have subsidiary occupations.	Number of members.	Income in rupees.	Number of members.	Income.
1	2	3	4	5	6	7	8	9
39	Adholiya	7	...	7	4	180	...	...
40	Binjhwar	7	...	7	5	190	...	...
41	Dhuri	6	3	3	2	110	...	55
42	Kayasth	6	...	6	2	90	1	...
43	Kachhi	6	...	6	1	50	...	...
44	Mali	5	...	5	4	160	...	...
45	Kataiya	4	...	4	2	200	...	...
46	Kahar	4	...	4	...	...	1	220
47	Banjara	4	...	4	1	40	1	160
48	Ghasiya	4	...	4	1	40	...	...
49	Pubiya	4	...	4	2	70	...	...
50	Bharewa	4	...	4	...	...	...	...
51	Carpenter	3	...	3	...	...	...	...
52	Sahyasi	3	2	1	...	...	...	...
53	Rajput	2	...	2	1	50	...	...
54	Kulbati	2	...	2	1	70	1	50
55	Dhangad	2	1	1	1	40	...	...
56	Koli	2	...	2	1	50	...	...
57	Kori	2	...	2	...	...	...	...
58	Khattre	1	...	1	1	100	...	...
59	Parmee	1	...	1	1	300	...	...
60	Bhoi	1	...	1	...	...	...	...
61	Bhat	1	...	1	...	...	...	...
62	Tawar	1	...	1	1	40	...	...
63	Channar	1	...	1	1	38	...	...
64	Abir	1	...	1	1	50	...	...
65	Coppersmith	1	...	1	...	...	...	...
66	Kharwar	1	...	1	...	...	...	...
67	Basore	1	...	1	1	100	...	65
68	Pathari	2	...	2	...	...	1	...
	Total	3,703	468	3,235	1,459	69,392	137	10,152

Grand

Number of members with subsidiary occupation ...

Amount of income ...

Average earning from subsidiary industries comes to

Abstract showing the number of members in the Co-operative societies of the Bilaspur district with the amount of additional income which they make in a year from subsidiary occupations.

Kind of subsidiary occupations.	Number of members.	Amount of additional income.
	Rs.	Rs.
1. From the sale of firewood or timber ...	1,469	69,392
2. By dealing with grain ...	137	10,152
3. By dealing with cattle ...	86	7,020
4. By means of service ...	214	40,671
5. From their own occupations ...	564	58,625
6. By working as labourer ...	765	45,907
Total ...	3,235	2,31,767
Number of persons who have no subsidiary occupations.	468	...
Total number of members ...	3,703	...

Mr. B. R. PACHPORE, Malguzar, Nawagaon, Drug.

Reply to the Questionnaire.

Part I.—Agricultural credit and credit facilities for special industries.

QUESTION 1.—Here agriculture is financed mainly with the help of the local sowkars. It is from them only that money is available in all the three cases (a), (b), (c). Help from other sources does come in but it is so insignificant that it can safely be neglected. The rate of interest ranges from 6 per cent per annum to 40 per cent per annum. Money is advanced on the security of any moveable property or immoveable property. In my tract of the Drug district the only banking organization that is of some help to finance agriculture is as said above the local money-lender. Other institutions are unknown. Seed is advanced at the rate of 50 per cent per annum.

The only defect in the present organization of financing agriculture is that the bankers being individuals, there is no organized institution and it is wanting in solidarity. The business of every banker is an isolated one and it is far behind as compared with such organizations of the civilized world. Its existence to smoothly finance agriculture is inevitable. No other new system can be safely engrafted on it without serious consequence. The only improvement possible is that it should be brought up to date with the help of legislation.

Prices are fixed at the time of taking advances and this is done without any consideration of the new crops. Prices are always to the advantage to the creditors. As there is no other banking organization in our tract nothing can be said about the co-operation between the various institutions.

QUESTION 2.—For the sale of agricultural produce the producer is at a very great disadvantage. Prices are dictated by the purchasers and they are sometimes far below the cost of production.—Thus leaving net loss instead of net profit. It is quite essential to sell agricultural produce on the principle of co-operation. There should be a store-house for one tract and all the farmers should deposit there and take advances on the security of it. The contract storehouse should settle prices with big merchants. Some such organizations will enable every farmer to get the best value for his produce. To start licensed godowns Government help is necessary.

QUESTION 3.—The prices of—

- Paddy fields (double cropped) is Ra. 40 per acre.
- Wheat fields (double cropped) is Ra. 30 per acre.
- Fields for oil seeds (double cropped) is Ra. 20 per acre.
- Value in C will be highest.
- Value in B will be lower than that of C.
- Value in A will be the lowest.

QUESTION 4.—Yes, mourosi tenants cannot mortgage their lands. There is no land mortgage bank here. To finance agriculture I think well organized co-operative credit society started on Reiffessen principle would be the best for rural area. For some time there will be some difficulty in attracting capital but they can take money on joint security provided there are facilities. This I think is the only way in which money can be taken on long term without any risk to the creditor.

QUESTION 5.—Estimate of indebtedness for one village is—

Such an estimate can be obtained with a fair amount of certainty only by those people who live with the villagers and have their confidence. Government servants are looked with awe and suspicion and so these are the people least fitted for that sort of work—

- (a) Nil.
- (b) Nil.
- (c) Nil.
- (d) Ra. 690 and 60 khandis of grain.

Mr. B. R. PACHPORE,

The debt incurred for the following purposes :

- (a) Rs. 80
- (e) Rs. 60.
- (h) Rs. 50.

The creditors are all local sowkars. In the present case there is practically no indebtedness. The main cause of indebtedness is the utilization of capital for unproductive purposes. The rate of interest as already stated ranges from 6 per cent per annum to 48 per cent per annum. Interest is calculated generally as compound interest and sometimes with rests of 6 months. Many efficient farmers are actually being turned into tenants-at-will. The reason being, they may be efficient farmers but bad managers and organizers of business. Want of credit facility is also a cause of their ruin. The result of this process is very bad so far as agricultural industry is concerned. Want of all the necessary qualities of a farmer to make right use of the capital has taken away from the cultivators, the incentive to produce more and in an efficient and better manner.

QUESTION 6.—Rice milling, garden produce, gur-making, weaving.—The above-mentioned four industries can be encouraged with sure profits as supplement to agriculture in this tract.

Rice milling can be started in appropriate centres but here again that business capacity is of the utmost importance. Capital in the hands of foolish, ignorant and illiterate people is a very risky affair. Thus industry can be started when there are means to advance capital to persons having business tact.

Garden produce.—This is the most important industry and it will prove to be a most important aid to Indian agriculture. Gardening is men's most primitive work and it has its practical and psychological aspect. So far as agricultural industry is concerned it is his laboratory and also an extra source of income. It makes him kind hearted, social, genial and his whole nature raises and improves. To finance this, money should be advanced to co-operative concerns on Government security and the supply of plants and seeds and the security of net profit should be entrusted to the agricultural department.

Gur-making is another important industry and the above suggestions apply to this also.

Weaving.—I have full faith in the principle of co-operation and it will work wonders in the important industry of weaving. Propaganda work and Government security are the two important elements which deserves careful consideration. Spinning is the most important industry that can keep farmer engaged during spare hours. At present there are no credit facilities to encourage these industries. Government should take the initiative to implant the principle of the co-operation on the minds of agriculturists and for some period societies should take loan either from Government or some bank. In any case Government security is essential to create confidence in the minds of farmers. Marketing of the produce should be organized as is done by the fruit growers' associations in California.

QUESTION 7.—In order to stimulate the growth of the co-operative movement it is advisable to grant financial concessions. In this tract the movement is a total failure not because the principle was defective but because the machinery employed was useless. They turned it into a means for the realization of some end, and once it was sought the work was abandoned.

I am sure, if the work is done in right earnest it will succeed in meeting the financial need of agriculturists.

Co-operative lending and borrowing must be done on Provincial scales. It is the system of working in watertight compartments that has brought about the ruin in some localities.

Part III.—Investment habit and attraction of capital.

QUESTION 1.—At present there are no facilities for the investment of savings. —Co-operative society is the only remedy, silver and gold attract the farmers a good deal and spare money invested in its purchase. In the absence of other facilities and good security it is not a bad investment. It is like a deposit in some bank on current account.

MR. B. R. PACHORE.

QUESTION 3.—It is a false notion current in civilized quarters that agriculturists have a tendency towards hoarding. Spare money is utilized either in the purchase of lands or gold and silver. It is also used in lendings. They understand the principle that money should be current.

QUESTION 5.—It is of slow growth because the business was conducted by individuals and not by joint stock companies. In ancient times the state of affairs was such that spare money being available it could easily be utilized. Now the affairs are undergoing a slow change and people feel the necessity of banks and organized institutions. Moreover, foreign trade has made the competition keener still. Agriculturists must produce more at less cost and finance his business with some sense. To me it appears that co-operative credit societies on Reiffessen Principle will do wonders in rural areas. Some additions and alterations are necessary. There should be a sensible propaganda work conducted by the Government with an idea to some real and substantial work. There is no bank in this tract.

Oral Evidence.

Raipur, the 21st February 1930.

Rao Bahadur K. V. Brahma, C.I.E.: May we know your status, i.e., whether you are an agriculturist or a malguzar?—I am an agriculturist and a malguzar as well.

How many villages you hold?—Three villages full and shares in two villages.

Do you do money-lending also?—Yes, on a small scale.

You have stated in your note that the chief defect of the present system of financing agriculturists is that there are no organized institutions and they are wanting in solidarity and they are far behind as compared with such organizations of the civilized world. I therefore think that you are in favour of associations of bankers? Is it not?—Yes.

Do you think such associations should be encouraged?—I would prefer associations of indigenous bankers under the Co-operative Societies Act. That would facilitate the business and recoveries.

I take it that you are in favour of having store houses also on the co-operative principle. Is that your idea?—Yes. On the co-operative principles.

Is it your idea that in this part of the country people are developing for the purpose of grading of several kinds of crops?—Yes.

Do you think that the people have sufficiently developed?—In my opinion Chhattisgarh is sufficiently advanced to enable the grading of crops and agricultural produce and the stuff to be sold through co-operative sale agencies. This will result in greater profit to the cultivators.

What is the agency you propose in assisting grading?—I would prefer having a permanent officer associated with several store houses for the purpose of grading of crops. I would prefer an Agriculture Department officer for the purpose.

Will you not be prepared to try experiments in your villages?—Yes. I shall be prepared to try experiments in my own villages provided sufficient facilities are given for the purpose.

You have stated in your statement about licensed godowns and stated that help is necessary. What do you mean by this?—I have advocated licensed godowns and stated that Government is necessary. By that I meant monetary help from Government is essential to enable warehouse keeper to advance against goods stored within the walls. I do not think that there would be any room for fraud if the licensed warehouse keeper were also able to make advances and I would insist upon Government to maintain staff for supervision over these licensed warehouses and to check advances and goods in the godowns.

Asked by Rao Bahadur K. V. Brahma the witness stated: I am not prepared to say whether licensed warehouse receipts should be made negotiable instruments to enable money being obtained from banks and bankers.

I think farmers will be able to manage their farms better if they are well educated. I do not therefore share the opinion that education spoils the sons of farmers or makes them unfit for carrying on agriculture business.

MR. B. R. PACHOR.

The witness further stated: I have not studied the question of co-operative lending and borrowing in detail and would not therefore venture to give any opinion whether it should be on the provincial scale or as at present.

Chairman: Can you tell me how far your villages are from the nearest market?—30 miles from Bhatapara.

How do cultivators dispose of their grain at present?—They take it to Bhatapara in carts and sell it. They sometimes also take it to Raipur when they and that the rates are good.

You suggest warehouses for storing grain. Do you propose to have warehouses at the market where grain is sold or in a village?—In this connection I will suggest that the storing of grain should be in every Revenue Inspector's circle of 60 or 70 villages.

Would you like it to be somewhere near the market?—If it is near the market the tenants will have to take their grain a long distance to it.

When the tenants take their grain to the warehouse do you propose that all the grain should be pooled and kept mixed together or that the produce of each tenant should be kept separately in separate tins?—Yes, separately except rice.

Would not the great expense of staff and of storage of separate small parcels of grain, etc., etc., exceed any possible profit to be led out of such a scheme?—I do not think so.

Vice-Chairman: Are there not small bazars near about your village?—Yes.

Are there not Kachhis and Marwadis purchasing grain?—Yes.

Supposing the market value in one of these small bazars for one cart load of produce is Rs. 100 to day, how much does the cultivator get?—Nearly Rs. 80.

You admit there are some sort of marketing facilities?—Yes.

Are there co-operative societies round about your village?—There were: but now they have gone into liquidation on account of not being properly supervised by the authorities.

Rice mills have only grown up recently in this part of the Province. Is it not? Yes, since five or six years.

Where do these get their capital from?—They have got their own capital.

Is there scope for an increase of these rice mills?—In my tract there is no scope. It is a wheat producing tract.

Are there weavers in your village?—Yes. There are. They only produce *Sadris* and *Dhotis* and these are used only by the *Khosta* class.

Do you think it is possible to increase the use of these articles?—If will be difficult to increase the use of these articles. If properly organized they will become cheaper.

Professor A. C. Sen Gupta: You say that seed is advanced at 50 per cent per annum. Is it for the season or for the whole year?—Provided the repayment is made within twelve months from the date of the loan, fresh interest does not commence to run.

You say that prices are fixed at the time of taking advances and that it is done without consideration of the new crops. For what purposes are these prices fixed?—The cultivator takes money and pays in grain and the price of grain is fixed at that time.

You say that prices are dictated by purchasers. What do you mean by this statement?—One who purchases the grain says that he will purchase it at a particular price, without caring how much money has been spent to produce it. The producer is compelled to sell it, as there are two or three buyers and there is very little difference in prices.

Do you think that if these people take their grain to the market they would have got a very much higher price?—Yes.

As regards hand-spinning, have you got any idea of the additional income which cultivators could have by taking to this industry?—This income will be his subsidiary income. The cultivator will take to that subsidiary occupation which will give him the greatest benefit. I have not got any practical idea as to the profit obtainable from hand-spinning.

MR. B. R. PACHPORA.

As regards these small subsidiary industries you say that Government security is essential, to create confidence in the minds of farmers. Would you explain this statement. I am referring here to co-operative societies of artisans. On their own guarantee, the Government should raise money for these subsidiary industries.

You say that the co-operative movement has been a total failure, not because the principles are defective, but because the machinery was useless. could you from your personal knowledge, give us any idea of what you mean by the machinery being useless? There were two societies just near my village. In the beginning their credit limit was not properly judged and the members of societies got more than they ought to have got with the result that they could not repay their loans. On account of one member, another member has to lose. So the whole society has been lost.

Mr. P. D. Pundlik: You have stated that the cultivator has to lose 20 per cent when he sells his produce at the village. Do you know that the merchant who buys this produce at the village has to incur some expenses to take it to the market?—Yes.

What percentage do you think he has to pay for these expenses?—I have not calculated this.

Would you agree, if I tell you, that he has to spend 10 per cent for these expenses?—I think it is too much. I have no correct idea of this.

You have stated that prices are fixed at the time of taking advances and this is done without any consideration of the new crops and these prices are to the advantage of the creditors as there are no banks organized in your tracts. You will have to admit that the creditor also has no knowledge of the future prices?—It is true. It is not a rule, but generally it happens that the cultivators are the losers.

Do you mean to say that the creditor knowingly does so?—He is loser in some cases: but generally he gets profit.

Replying to Seth Narsingdas Daga, the witness said:—

In my tract money-lending business is largely in the hands of professional money-lenders. On small loans the interest is higher than on big loans. Kachhis and Marwadis purchase direct from the producers: but in some cases they also purchase through dalals.

Rao Bahadur M. G. Deshpande: You are a malguzar of these villages. Is that your ancestral property?—Yes.

Do you or your tenants get any help from Government for agricultural purposes?—Yes. We get help in the way of taccavi.

Is this taccavi given to needy cultivators?—Needy cultivators get it.

Do you think that the present system of taccavi distribution is adequate?—It is generally adequate. In some cases it is rather defective.

Do you want to have any change in the present system?—Do you want a special officer for distributing taccavi?—I am in favour of this change.

As regards the system of storing their produce, do you think that the cultivators will be benefited?—He will not be pressed to sell his produce at a low rate. Generally he would be benefited by storing his produce.

What is your opinion in general about the Co-operative movement?—It should be introduced into every village. It will be doing good to the public if properly organised.

Can you tell me whether the rate of interest charged by the sowkars in the areas operated by co-operative societies has gone down?—There is no appreciable effect on the rate of interest.

Chairman: Thank you very much.

MR. SYED MISBAHUL OSMAN, Deputy Commissioner, Drug.

Reply to the Questionnaire.

Part I.

QUESTION 1.—Agriculturists in the district obtain loans for all purposes generally from the local sowkars (money-lenders) and to a small extent from co-operative societies and Government. Sometimes poor tenants obtain financial help from their well-to-do relations and have to pay no or nominal interest. In some cases agriculturists also supplement their finances by selling milk or ghee or plying carts on hire. The poorest class of tenants take petty loans from the Kabulis at exorbitant rates of interest. The rate of interest on loans in kind is often 25 per cent or 50 per cent (during famine) for six months or even less. The prevailing rates of interest on cash loans are 12 per cent to 24 per cent on good security but the agriculturists of small status for small loans have to pay something up to 75 per cent the latter being the usual rate charged by the Pathan money-lender. The loans on mortgages of property are obtainable from 9 per cent to 12 per cent. Some money-lenders also levy additional charges which can be briefly stated as follows:—

- (1) Borrowers promise to sell their produce in the shape of grain or dairy produce to the creditor at a rate lower than what obtains in the market.
- (2) Payments have to be made for writing and other charges which will be detailed in another place.

Except for the Co-operative Central Bank in the district and Government there is hardly any other agency other than that of the professional money-lenders which finances agriculture, trade and industry in the district. At a moderate estimate the capital required for other special needs and the purposes of cultivation, permanent improvements in the district will amount to about 80 lakhs. A very small percentage of the loans is taken in grain for seed. Apart from other defects of the indigenous money-lending which will be dealt with in answer to another question the main defect of the system of loans in kind is that good seed cannot be had and sometimes it is not available at the proper time. When a tenant has to sell crop to repay advances on the disposal of crop he suffers a loss of about 25 per cent to 30 per cent of the market value but the cases of this kind in this district are not very common. One remedy that can be suggested in this connection is that the tenants should be encouraged to keep their own seed and facilities for obtaining money on the security of the same should be created. There is at present no co-ordination among the various credit agencies and the possibilities of creating the same will be considered in replies to the question of indigenous banking Part II of the questionnaire.

QUESTION 2.—The small tenants who have no means of transport and the malguzars and other well-to-do persons who do not wish to go to grain markets dispose of their produce on the spot to petty dealers who go round and make purchases in the villages, while others take their produce to the markets situated at various centres in or outside the district (Raipur, Rajnandgaon, Drug, Utai, Gandai, etc.) and sell the produce in the open market to the highest bidder. The small dealers who are called Kachhis (petty traders) or Kheparis (traders making "khepa" (trips) for exporting grain) buy the produce from the growers in their villages and bring it to one of these markets. "Khepari" traders borrow money at rates which work out at 37 per cent per annum. They have generally their own bullocks and carts and the members of their families work as labourers for cleaning the produce. After paying the interest charges they hardly make any profit except that they maintain themselves, their families and the bullocks during the period. There are no possibilities of forming pools and of co-operative effort for marketing produce considering the present stage of development of the co-operative movement in the district. The growers receive no financial help in the matter of marketing nor do they think that they stand in need of any. The Kheparis are financed to a small extent by the local money-lenders, while the bulk of the trade is in the hands of the sadyas who receive money from merchants generally residing outside the district. A beginning has been made by the Raipur branch of the Imperial Bank of India this year by making advances to the extent of about Rs. 50,000

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to some grain merchants on the security of grain stocked with them. The merchant has to find one-fourth of the cost and the bank supplies the remaining three-fourth at 7½ per cent. The only remittance facilities at present available and used are hundis in addition to insured letters. The hundis current in the district are those on demand (darsani) and usance (muddati). Sample forms are given the end attached.

QUESTION 3.—There have been no cases of sale of land for non-payment of revenue, but it is estimated that the value of the land in such cases is not likely to exceed Rs. 15 or Rs. 20 per acre for any kind of land, while sales by civil courts generally fetch between Rs. 20 and Rs. 25 per acre and by private negotiation as below:—

—	Irrigated.	Unirrigated.
1	2	3
Proprietary shares ...	Rs. 28 to Rs. 60 per acre ...	Rs. 15 to Rs. 45 per acre.
Malik-makbuzas ...	Rs. 25 to Rs. 70 per acre ...	Rs. 15 to Rs. 50 per acre.
Absolute occupancy holdings.	Rs. 20 to Rs. 120 per acre	Rs. 15 to Rs. 60 per acre.
Occupancy holdings ...	Rs. 15 to Rs. 60 per acre.	Rs. 10 to Rs. 25 per acre.

NOTE.—Prizes of the absolute-occupancy land include the commission paid to the malgansars at Rs. 15 to Rs. 20 per cent of the value.

The factors affecting the value are whether the land is irrigated or unirrigated, the position and the kind of the soil, manuring facilities and position with regard to the markets for the sale of produce.

QUESTION 4.—The holdings in the district are generally held in occupancy and to a small extent in absolute-occupancy rights. Restrictions on their transfers are a great impediment to raising the necessary capital which good cultivators must require for paying off old debts and making improvements in their holdings. The removal of restrictions is a vexed question, but after taking into consideration what has been said on the subject, I am of the opinion that it will be in the best interests of the holders of lands themselves if these restrictions are removed excluding the holdings in the areas inhabited by aborigines and where the level of intelligence is much below that of the advanced parts of the district.

There is no land mortgage bank in the district. The scheme prepared by the committee appointed by the Co-operative Department and sketched out in its report dated the 13th January 1929 is worthy of being given a trial at an early date. The required capital can be raised by means of share capital, debentures secured by first mortgages of borrowers' lands, and, to a very limited extent, by means of long-term deposits. A Government guarantee for interest to begin with will be useful in popularising the debenture bonds in cases the bonds are issued by a co-operative institution. No such guarantee is required if these are floated by the Imperial Bank of India or any State Bank that may take its place. If Government guarantees interest, it should be given adequate representation on the management of the land mortgage business of the institution concerned. The debentures should be included in the list of trustees. As for a detailed scheme for an agricultural land mortgage I should refer the Enquiry Committee to the report published by the committee appointed by the Co-operative Department and I seem to agree on the whole with that committee in the recommendations made by it.

The following suggestions are worthy of consideration:—

The Provincial Co-operative Bank can also carry on land mortgage business without interposing a local land mortgage bank between itself and the borrower, there being no chance of loss if business is started in a tract which promises

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a minimum business which can be fixed at Rs. 5 lakhs. The Imperial Bank of India whose staff is not overworked in several of its branches can also take this kind of business subject to certain conditions. The bank lends money or mortgages to Courts of Wards. It has, I believe, command on long-term funds and can profitably use them in land mortgage business. The Act which governs the bank can be amended if necessary. As loans will be secured by first mortgages there is very little risk of loss in this kind of business.

QUESTION 5.—No reliable information is available on the question of indebtedness at present. Some information can, however, be gathered from the haisiyat and status registers maintained by the co-operative societies and the Central Bank. The statistics given in the economic survey of the village of Saragaon in the Raipur district can also give some idea of agriculturist's indebtedness. Lists of debts are prepared at the time of settlement, and as the resettlement of the district is in progress, reliable information on this question can be supplied by the Settlement Officer and the Provincial Banking Enquiry Committee is already in correspondence with him on the subject. For a reliable estimate of indebtedness we must, therefore, depend on the information which the Settlement Officer can supply.

The estimates based on the information supplied by the Settlement Officer for the Bemetara tahsil of the Drug district go to show that the indebtedness of the tenants in that tahsil amounts to Rs. 7,18,174 and that of the malguzars to Rs. 20,80,809. The estimates do not include the debts of the tenants holding 2 acres or less each. The Bemetara tahsil is more heavily indebted than the Drug and Balod tahsils. Roughly the indebtedness of the tenants in the district may be put down at Rs. 21 lakhs and that of the malguzars at Rs. 60 lakhs. Judging by the figures for the Bemetara tahsil which, as stated above, is more heavily indebted than the other tahsils, 65 per cent of the tenants and 47 per cent of the malguzars of the district may be taken as free from debt. The indebtedness is not heavy, but taking the present system of finance into consideration the agriculturists appear to be losing much on account of the heavy rate of interest and other additional charges which they at present pay.

The demand for loans for current needs generally averages about 50 per cent of the total indebtedness. The total annual requirements of the tenants and proprietors for short-term crop loans may be fixed at Rs. 40 lakhs. This amount, in addition to about Rs. 41 lakhs which may be required to redeem mortgages, or make advances on fresh mortgages to pay off debts which carry exorbitant rates of interest. Last year the co-operative bank and the Government advanced loans to the extent of about Rs. 80,251 and Rs. 26,542, respectively, total Rs. 1,06,793. The bulk of the financing is evidently in the hands of the indigenous money-lenders.

The growth of indebtedness is undoubtedly due to a great extent to the fact that debtors have to pay compound interest. But compound interest is levied in accordance with the recognized practice throughout the banking world whether indigenous, joint stock or co-operative, and if debts are left unpaid, as is usual, partly owing to carelessness on the part of the debtors and partly to a false sense of security encouraged in them by the creditors, interest must accumulate and debts must swell. Several other causes of indebtedness still more potent than the compound interest can be traced to improvident expenditure in connection with marriages, births, deaths caste dinners, litigations and uneconomic holdings. Small and scattered holdings in this district also add to the cost of cultivation, reduce profits and add to indebtedness. The interest which ranges between 25 per cent to 50 per cent for six months on grain loans and 12 to 75 per cent per annum on cash loans is added to the principal and interest runs on the total amount. Compound interest combined with other causes enumerated above accelerates the growth of indebtedness and increase its volume. The burden of debt in the cases in which it is not light must naturally dishearten the debtors, dull the edge of husbandry and take away incentive from them to grow more.

QUESTION 6.—There are no extensive cottage industries in the district, but lately a few rice mills have sprung up and there are also small communities of basket-makers, weavers, blanket-makers and market gardeners found scattered over the district. Some farmers in a few villages have taken to making gonas (big sheets of hemp for carrying grain in carts to the market) which sell from Rs. 12 to Rs. 20 each. The best way to encourage these industries is to

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organize them finance them on reasonable terms and find markets for the sale of their goods. Farmers can also take advantage of the organization suggested above for disposing of articles manufactured by them during slack agricultural seasons. Some agriculturists also supplement their income by engaging in the transport of grain and timber. Some of the industries, for example, rice mills, hand-spinning, weaving and blanket-making will require financial help. The present facilities where they exist are expensive and are given by the indigenous money-lenders on terms which leave very little margin to the manufacturer. The best method would be to organize credit societies for the people engaged in cottage industries and also form depôts for marketing their finished goods. A joint stock depôt for which the workers themselves or their societies might subscribe the original capital and which is connected with a co-operative, joint stock or industrial bank will be a very suitable financial machinery to assist these industries.

QUESTION 7.—There is no inter-connection between the local co-operative bank and the other banks in the country, including indigenous bankers. The co-operative societies have so far experienced no difficulty in getting short-term capital, in fact they had to refund deposits, because they could not make use of them in short-term loans to their members. Difficulty is experienced in connection with the long-term finance and this cannot be solved unless a mortgage bank is established. About 100 societies borrowed a lakh of rupees last year. If the societies are organized in all the 2,500 villages of the district at least 25 lakhs will be required for short-term loans. If money has to be found for long term capital the requirement will be several times more. Some financial concessions in order to stimulate the growth of co-operative movement by way of extension of special exemption from income-tax is necessary in the beginning, but permission for the inclusion of debentures issued by Provincial Co-operative Bank in the list of trustees securities should not be long withheld if Government wishes to encourage the establishment of mortgage banks, the necessity of which is now well-established. The Usurious Loans Act is more or less a dead letter in this district. The attention of the civil courts in these provinces should be drawn to the provisions of this Act through the Judicial Commissioner who may be requested to issue a circular asking for special statistics and directing the subject to be reviewed in the annual report. The enactment of legislation as the English Money-lenders Act in order to make provision for with copies of amounts will be a move in the right direction. Efforts will be made to evade the enactment in various ways and might also curtail credit to a certain extent for some time, but objections will wear off and things get settled in course of time. If an enactment of this kind was necessary in an advanced country like England, it is much more so in India. With regard to the suggestion whether co-operative banking should be done on provincial scale instead of local unit, I am in favour of keeping up the present arrangement. It educates the local intelligentsia in the method of banking and also sustains interest in the movement. If the banks are converted into branches of the Provincial Bank at the headquarters of the province, the whole movement will become mechanical and lifeless and lose its educational value which is a great asset in awakening people's sense of rational self-interest.

Part II.

QUESTION 1.—The profession of indigenous banking in the sense in which the word is commonly understood is non-existent in this district, but there are money-lenders who lend money and grain on the security of produce or other moveable or immoveable property and combine with the business of money-lending, other business also, for example, agriculture, trade, in grain, cloth, timber, tobacco and forest produce, including lac and metal, the latter including gold, silver, kansa, brass and copper. They also own factories for making utensils of brass, bronze and bell metal and also act as commercial agents. In villages they are sometimes petty shop-keepers and also finance cottage industries.

QUESTION 2.—Except for the aid given by the co-operative bank and Government, the local money-lenders wholly and solely finance agriculture and to a great extent also the local trade and industry.

QUESTION 3.—The money-lenders can be divided into 2 classes, viz., the village money-lender who lends money to the people living in his own village

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or the villages adjoining it and the town money-lender whose business is confined to the limit of the town and the neighbouring suburbs. The money-lenders generally use their own capital, but some of them who have petty business borrow from big money-lenders when needs arise and lend to their customers. There is an association of traders at Drug and its activities are confined to religious and social matters and it also settles trade disputes now and again, but the association is at present in a moribund condition.

There is no inter-connection between the money-lenders and the joint stock banks or Imperial Bank of India, but a beginning has been made with a system under which the Imperial Bank of India grants cash credits to approved traders and also performs the following functions:—

- (1) Discounts hundis of approved customers.
- (2) Grants cash credits to registered traders on the security of grain up to about 85 per cent of its value.
- (3) Lends money on the security of gold and silver to extent of 95 and 90 per cent of their value, respectively.

The Imperial Bank of India has so far lent about Rs. 50,000 on the security of grain to certain merchants at Drug. The Allahabad Bank is also said to have business of this kind in some districts, but not in this district. The Imperial Bank of India has a clerk at Drug and the Agent of the branch also visits the district.

The financial facilities actually given by any joint stock bank or the Imperial Bank of India to the indigenous businessmen are very limited at present.

QUESTION 4.—The credit instruments used are—(1) hundis (darshani and muddati), (2) *purza* or *rasid* (bond and receipt), (3) *sarkhat* (entry in a ledger signed by the debtor and stamped with one anna stamp), (4) mortgage bond and (5) unstamped bond which are stamped when suited are filed.

QUESTION 5.—Short-term loans are generally granted on *purzas*, *rasids*, *sarkhat* or entries in the account book with the borrower's signature and long-term loans on *purzas* (bonds) or mortgage deeds. Small loans for short period carry interest at rates ranging between 18 and 24 per cent and large loans on real security at rates between 9 and 15 per cent. Compound interest is charged in all cases. The petty sowkars sometimes provide themselves with funds by borrowing from big sowkars. They rarely receive deposits and when they do they pay interest at the rate of 6 to 9 per cent. These deposits generally are for a period of one year and can be renewed at the option of the depositor or the sowkar.

QUESTION 6.—The rates of interest have already been stated in answer to question 1, part I. In addition to interest some additional charges are levied. Some of these in connection with (a) loans in cash and (b) loans in kind are as follows:—

(a) *Loans in cash*.—(1) When the lending is done on bonds the borrower has to pay writing charges.

(2) Writing charges are generally levied at half up to full value of the stamp duty, but if the amount of the loan is large then the borrower has to pay a little less and sometimes up to one-fourth of the value of the stamp paper used. This holds good in the case of mortgages and sales also.

(3) In some cases payments have to be made to the *munim* or agent who charges commission when he arranges a loan. It may amount to one anna per rupee of the loan, if the borrower happens to be a man of low credit.

(4) In case of mortgage or sale the borrower has to pay some illegal incidental charges in addition to the prescribed registration fees.

(5) On loans payable by instalments Rs. 10 are deducted in advance from a loan of Rs. 100.

(b) *Loans in kind*.—(1) *Napai charges*.—These are generally paid as measuring charges to kotwars and at one *paisi* or 2 *paisis per khandi* at the time of borrowing as well as of returning the grain.

(2) *Cleaning charges*.—These are paid by borrowers when they take and return quantities of grain to the lender's servants for keeping the measuring ground clean.

(3) *Ughai charges*.—These are charged in a few cases in distant places and from poor tenants and are levied to pay the wages of the servant who is engaged for recovering the loans.

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The interest and additional charges eat up a great deal of the profit of actual producer and anything which can reduce these charges will be a great boon to him. The organization of credit societies and grain banks is the only practical solution of the problem and it is also the safest method as credit without restrictions on borrowing is like a double edged sword and might cause more harm than good, if it is used carelessly. The reduction of rate of interest will benefit the agricultural classes if there are restrictions placed on their borrowing powers and this can be done chiefly through co-operative and other methods which will be discussed later on.

QUESTION 7.—Though not very popular, there is no active hostility towards the indigenous money-lenders and they appear to be sufficiently protected in law for the kind of business they carry on at present. The dealings of indigenous bankers are not always free from blame. Usurious rates of interest, money-lender's dishonest dealings, borrowing for improvident purposes contribute to pile up agriculturist's debts. There is also shortage of capital in no small measure due to the absence of means for attracting deposits and lack of liaison between the indigenous money-lender and the organized money market. The provisions of the Usurious Loans Act should be fully given effect to and legislation on the lines of the Money-lenders Act in England should be enacted. Some of the malpractices complained of are as follows:—

- (1) Accounts are not explained to the debtors.
- (2) Receipts are not passed for amounts received.
- (3) Bonds under which money has been repaid are not returned to the debtors.

The remedy lies in (a) the law being passed enabling the debtors to deposit money in courts in cases of complaints in the above 3 cases, (b) interest being stopped from the date of deposit and (c) making the recovery of interest exceeding the principal illegal.

QUESTION 8.—It is suggested that one way of improving the credit of the agriculturists is to grant transferable rights in their holdings and the money-lenders can then be more serviceable to them than they are at present.

The indigenous bankers can consolidate their position by organizing joint stock banks financed by their own capital. The mahajani system of accounts (*rohah, nakal and khata*) is used to a great extent, but the accounts are not open to inspection or verification by customers. The maintainance of ledgers and passing of receipt will not be much resented by literate creditors, but the measures adopted for giving publicity to accounts and the right of inspection by the debtors will be unpopular. If the money-lenders conform to the method in force in co-operative societies, maintain regular accounts and agree to any reasonable system which may be devised to link them with joint stock banks of approved stability and the Imperial Bank of India, they should be in my opinion given a charge next to the malguzars charge, on account of rent, in respect of short-term loans on the borrower's produce and also a priority of claim under the Insolvency Act.

QUESTION 9.—The net return to the indigenous money-lenders on their capital after allowing overhead expenses is estimated between 9 and 18 per cent of the capital employed in their business.

QUESTION 10.—The indigenous bankers are not able to meet all demands for accommodation even when good security is affected.

QUESTION 11.—The question for solution is how to establish a close contact between the indigenous money-lender and the joint stock banks. This can be done in three ways at least—

(1) Organise the money-lenders into joint stock banks who can discount growers promissory notes or get them rediscounted with big joint stock banks or the Imperial Bank of India.

(2) The individual money-lender should adopt a method of finance according to which paper obtained from the grower may be acceptable in the eyes of the modern banking system. According to the method I suggest the money-lender should divide his business into short and long-term loans. For short-term loans he should obtain promissory notes for advances made in cash. These notes should be registered or attested by the village panchayat or a body of

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persons appointed by Government for this purpose. The Imperial Bank of India or any other joint stock bank of approved stability should be able to discount these notes up to 50 per cent of their face value. The risk of the bank will not be great as the promissory notes will be for cash and short-term loans and advances will be made only up to a prescribed amount. The money-lenders may be given concession in the shape of a charge on the borrower's produce next to that of rent and a priority of claim under the Insolvency Act. If this system is adopted with such modification as may be necessary, it is hoped that in course of time sufficient capital will be available for the current expenses of agriculture, industry and trade and will be used with great advantage to all concerned. Without some such arrangement as noted above if branches of joint stock banks are established in each district, there will not be sufficient work for them. According to my plan the indigenous money-lenders can be connected with the branches referred to above and the latter will also find sufficient work.

(3) The agents to the branches of the Imperial Banks of India should enlarge the lists of customers by registering reliable money-lenders and grain merchants with whom they could do business. In this matter they might also associate themselves with district officers and officers of the Income-tax Department.

QUESTION 12.—There is at present no large surplus in the hands of the money-lenders which does not find employment throughout the year.

Part III.

QUESTION 1.—The Co-operative Central Bank and the post office savings bank afford the only banking facilities in the district. The seasonal requirements of the district may be fixed at Rs. 40 lakhs and half of the same, i.e., about Rs. 20 lakhs may be put down as the additional requirements of the district, under this head irrespective of the large sum that may be required for reducing mortgage debts by substituting loans on a lower rate than what they carry at present. The co-operative societies and the banks have furnished capital at reasonable rates to a small extent and succeeded in lowering the general rate of interest slightly and attracting deposits to some extent. The existing facilities are sufficient to answer the present needs and to increase these facilities the village co-operative societies should be permitted to accept deposits, pass them on to co-operative central institutions or the Imperial Bank of India. The people of this district like those of other districts are fond of investing money in gold and silver, but an estimate of the money thus invested is not readily available.

QUESTION 2.—Postal cash certificates and postal savings banks are popular among Government servants and other educated persons. There is an idea that the certificates and deposits should carry a higher rate of interest and more facilities should be given to depositors for withdrawing money from the postal savings banks. At present they can withdraw only once and not oftener in a week.

QUESTION 3.—Agriculturists invest their savings in improving their holdings and houses or increasing their plough-cattle and sometimes lend to their fellow-farmers at rates slightly easier than those levied by the professional money-lenders. The hoarding tendency is not peculiar to this district. It is as much common as in other districts.

QUESTION 4.—Cheques are rarely used and the abolition of stamp duty on cheques has not been taken notice of. As there are no facilities for cashing cheques, payments by cheques will not be useful. Vernacular scripts and languages should be used in all matters by such banks as have direct connection with the local population, for example, the language of cheques, deposits, receipts, pass books, withdrawal forms, deposit forms, correspondence, etc., should be the vernacular of the province until the knowledge of English spreads to villages and becomes popular among the indigenous business people.

QUESTION 5.—The banking habit is undoubtedly of slow growth and the causes are bank failures, ignorance of the banking methods and illiteracy. There will be no objection if Government carries out a propaganda to popularize banking in a cautious manner. The opening of the new branches of the Imperial Bank of India has commenced to be of use to this district. Cash credits to a limited extent have been granted to some firms at Drug.

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Supplementary questionnaire.

III.—It appears that growers in this district do not get full value of their produce in the market. Information is being collected in this connection.

No. 6. Exchange for £ 1,000-15-10d. Stamp Rs. 13-8-0 Bombay, the 20th September 1920.

Ninety days after sight, pay this first of Exchange (second and third of the same tenor and date not paid) to the order of the Eastern Bank, Limited, the sum of pounds one thousand, shillings fifteen and pence ten only, value received, and charge the same to our account.

To.

Banthiya & Co.

Messrs. Thornett & Feha.

No. 3 Acela Chapel.

London, E. C. 2.

No. 1.

Rs. 2,000.

Bombay, the 18th August 1917.

Three months after sight, pay to our order. Two thousand rupees, value received.

Banthiya & Co.

Messrs. Kalyanmal & Co.

158, Cross Street,

Calcutta.

Sample form of receipt.

I
caste
district
received rupees
in cash on loan this day from Mr.
son of
in mouza
for agricultural purposes or for the purchase of bullocks and buffaloes or for
the purpose () and after having received the amount in full
execute this receipt for record which may be used as genuine when any such
necessity arises. This day of month year Corresponding *miti*
Badi or *Sudi* Sambat.

Written by

Signature of recipient of loan
or left thumb mark.

NOTE.—If the amount exceeds Rs. 20 one anna postage stamp to be affixed
before signing the receipt.

Witnesses

No. (1) _____

No. (2) _____

Sample form of Mudati Hundi.

Sambat.

Note that our personal name should be written.

Signature

—1 11 In the name of the
Great God.

Best compliments from Shree Ganeshdass Sheoprasad of Rutlam to brother
Shree Ganeshdassji Thakurdas of Bombay Post.

This is to intimate that a *hundi* of Rs. 1,000 in words rupees one thousand
being double of Rs. 500 five hundred has been drawn in favour of Ganeshdass
Bisanji payable after 45 days from *Bhadon Badi Astami* at par.

Executed this day of *Bhadon Badi Astami* Sambat 1974.

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Reverse of the form.

1,000

Four times of the amount of Rs. 250.

To

Brother Shree Ganeshdasji Thakurdass,
Bombay Post.

Sample form of Darshani Hundi.

Sambat.

NOTE.—That *Bhadon Sudi Astami* should be entered for payment.

Signature

I One" in the name of great God.

Best compliments from Shree Ganeshdass Sheoprasad of Rutlam to brother Shree Ganeshdasji Thakurdass of Bombay Post.

This is to intimate that one *hundi* of Rs. 1,000 in words rupees one thousand, being double of Rs. 500 has been drawn in favour of Shree Ganeshdass Kisanji on *Bhadon Sudi Aikam* for immediate payment at par.

Executed ethis day of *Bhadon Sudi Aikam* Sambat 1974.

On the reverse of the form.

1,000

Four times of rupees two hundred and fifty.

To

I one II brother Ganeshdass Thakurdas Bombay Post.

Form of Counterfoil.

No

Name of country

Name to whom it is sold

Amount

Miti

Note

rupees

rate.

To (address)

Sambat

Broker

Original

Note No.

In the name of *Gandhiji.*

Best compliments from the issues (name of issue) at Drug to (name of firm) of Bombay Post.

This is to intimate that a *hundi* of Rs. and in words rupees being double of rupees (in words) has been drawn in favour of (name of firm to whom it is sold) on *Asoj Sudi Dooj* Sambat 1986 for immediate payment.

Executed on *Asoj Sudi Dooj* Sambat 1986.

Signature of issue.

Form on the reverse.

Amount in figures.

Four times of the amount in words
Whole amount of Hundi.

To

Name of the firm to whom addressed.

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Oral Evidence.

Raipur, the 21st February 1930.

In reply to the Chairman, the witness said that he had served in the Co-operative Department for nearly twenty years and that he had served for more than seven years as Senior Deputy Registrar of Co-operative Societies.

Chairman: You have favoured the Committee with a note on the evidence which you wish to put before us. Is there any other statement which you would care to make now?—No. I have no other statement to make except what may be necessary in reply to the oral questions that the members may ask.

In your reply to question 2 under Part I, you have discussed the services performed by petty dealers. I would like to suggest to you that in the economic organization of the modern world the middleman fulfils a very important function, viz., that of collection and distribution, and neither in India nor elsewhere it is possible to dispense with him. Do you agree?—Yes.

Our aim then should not to eliminate him, but to make him function, if possible, to better advantage. Do you agree to this also?—Yes.

In no country are the difficulties of collection and distribution greater than in those parts of India, especially in Chhattiagarh where communications are often extremely bad and where production is in the hands of a large number of petty cultivators who for the most part lack both the financial resources and the necessary storage to attempt any regulation of their selling in accordance with the state of the market. Do you agree?—I agree: but I do not think that communications in Chhattiagarh are worse than in other parts of the province. The distances are, in many cases, very long.

Public opinion, however, is nearly always suspicious of the middleman. Public opinion often disregards the value of the services, the difficulties and the risks of the middleman. Easy generalities suggesting that every ill from which the cultivator suffers is traceable to the existence of hordes of rapacious and unnecessary middlemen are to be deprecated. Do you agree?—Yes, I agree.

Do you also agree that it is beyond dispute that some abuses still exist?—Yes.

Could you tell us about any of the local malpractices?—Yes. With regard to markets, there are certain malpractices which, if the markets are properly supervised, will disappear. There may be faulty measuring of the grain. There may be combination on the part of the purchasers who get the produce disposed of below the proper value as compared with the price that firms wire to their purchasing agents and the price at which purchases are made. If there are rules for the regulation of business in these markets and if they are enforced, several of the malpractices would disappear.

As regards these petty dealers, you say that they have to borrow money at a high rate of interest. Therefore, you will agree that this extra expenditure must fall upon the producer. If we could supply him with cheaper money, he could charge less. Is it not?—Yes.

What proposal could you put forward for the supply of cheaper money?—Co-operative financing is the only means of providing cheaper money. I think it will be quite possible to organize these petty dealers into societies which will give them money at 12 per cent. This benefit would eventually react on the producing cultivator.

Do you think that the middleman at present absorbs an unfair proportion of the profits of producers?—Yes: the middleman in the market at Drug absorbs for no good reason 3 to 6 per cent of the value of the produce.

With regard to the grant of rights of transfer to occupancy tenants which you have recommended, I understand that the line which you would follow would be to recommend that the law should be amended so as to enable Government to extend these rights by a notification wherever it was thought necessary?—Yes.

You also wish to exclude aboriginal tribes and backward tracts?—Yes.

As regards the land mortgage bank, you would confine loans to be advanced by this bank simply to productive purposes. Would you follow the recommend-

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dations of the Baroda Committee who went so far as to say that the bank ought also to advance for ceremonial purposes, the reason being that a ceremonial purpose was a necessary performance and under the present state of society a man was compelled to make this expenditure, and if the land mortgage bank did not lend money at a low rate of interest, the same debt would later come for liquidation as an old debt, very much increased by high rates of interest?—No. I would not extend the benefits to ceremonial expenditure.

Would you go so far as to extend it in the beginning for the purchase of land?—No. The business will require an unlimited amount of money. Profits and not borrowed capital can be safely invested in purchasing land.

Would you be prepared to agree that, later on, the bank might extend its activities to making advances to district councils and other public bodies on long-term loans as funds permitted?—Yes, on proper security.

As regards occupancy tenants, if it is decided to grant them full rights of transfer, there would be no difficulties: but if this is not done, would you agree that it will at least be necessary to give them the right of mortgaging their land to the Land Mortgage Bank?—Yes, I consider this absolutely necessary.

In fixing the maximum amount of loan which should be advanced, would you look rather to the value of assets or to the actual paying capacity of the borrower?—We should look to both. The loan should be spread over long years by annuity.

Do you approve that there should be no suspension of instalments except in years when there is suspension of land revenue?—There should be a condition that there should be no suspension of the kist except in years of suspension of land revenue?—The instalments should be fixed well within the paying capacity of the borrower in a normal year.

Would it be possible to have some system of savings accounts for the borrower?—I would recommend that an extra recovery of one or two per cent should be made in all normal years to be credited to the reserve account of the borrower and to be used for paying the instalments in years when it is impossible to recover from him.

What is your view as regards the period of the loan?—The period should be as short as possible, having regard to the paying capacity of the borrower. In extreme cases, the period may be extended up to 40 years: while generally I would like the period to be 20 to 25 years.

Do you think it would be desirable to have a part or all the debentures issued in the form of premium bonds with annual distribution of prizes or drawings?—I think this would be a good method.

As regards Government aid to the bank, what kind of aid would you insist?—I am of the opinion that Government should give all possible aid to the land mortgage bank.

Do you agree that mortgages executed in favour of the land mortgage bank should be exempt from stamp duty for the first five years?—Yes, I agree. Our one great aim should be to cut down the working expenses as much as possible and Government should not make any kind of profit out of an institution of this kind.

How, in your opinion, should the bank be started?—A preliminary propaganda will have to be carried on. In the beginning I would like to have a bank for the whole province and not for a particular district, even though we make only a small beginning. Branches may be opened in districts as business increases.

You have stated that one of the principal causes of indebtedness is the accumulation of compound interest which, of course, is unavoidable if repayments are not made. Your meaning is that accumulation of interest and laxity of repayment are the main causes of indebtedness. Is it not?—Yes.

Therefore you would agree that, as long as the man repays promptly his short-term loans, even 25 per cent interest is not a very heavy burden?—It will not crush him, will undoubtedly reduce his income.

Therefore one of the main causes of indebtedness is partly high rate of interest and partly laxity in repayment?—Yes.

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Do you think that the absence of prompt repayment is entirely due to the default of the borrower himself?—The borrower does not make proper efforts to repay. He acts up to any excuse that he can think of. The creditor also is not keen on demanding repayment as long as he gets interest on his principal.

Do you think that bone-crushing for manure is a practical proposition in Chhattisgarh?—No. People do not know much about it.

Have you got a number of rice-hullers to which bone-crushing could be added?—There is likely to be a great disinclination to this sort of business at present.

To increase the present facilities for attracting deposits, you suggest that village co-operative societies should be permitted to accept deposits. Does not this facility exist at present?—No. Special permission is required if village societies are to accept deposits.

Rao Bahadur K. V. Brahma, B.I.E.: You suggest that tenants should be encouraged to keep their own seed and that facilities should be created for obtaining money on the security of the seed. How would you encourage them to do so?—At present they have to dispose of all their crop, because they have to meet certain charges and immediate calls. If credit could be given for these expenses, they can keep back their seed.

As regards registration, would you like a scheme following the practice of English Indentures, by which both the parties are required to sign the bond which should be in triplicate. One copy each of the bond is handed over to each party and the third copy is copied into a register by a tahsil clerk, thus avoiding the necessity of Sub-Registrars?—As is explained by you, there appears to be no objection to the scheme. It seems to be *prima facie* workable. I am not prepared to give an off-hand opinion as to its details at present.

Vice-Chairman: Any improved scheme for financing the agriculturist must provide not only for cheaper and more readily available capital, but also for a programme of teaching the agriculturist to practise thrift and increase his income and cut down his unproductive expenditure and to repay his instalments punctually. Do you agree?—Quite.

In other words any financing organization which may tackle this question of long and short-term credit must take charge of the affairs of the borrower very nearly on the same general principles on which estates are taken under Court of Wards?—In a small credit society of small men detailed supervision is absolutely necessary. A land mortgage bank cannot interfere with the actual administration of large property except to such extent as the rules of business may provide. The number of the estates under Court of Wards is limited. The owner is eliminated and the State takes over the management. In the case of the properties mortgaged with the land mortgage bank the proprietors have to manage their properties and repay instalments punctually.

Anybody who wants to take advantage of the land mortgage bank must be willing to submit to a certain amount of control by the bank over the disposal of his gross and net income?—Yes.

If these banks are really to benefit the borrowers, they must take steps to improve their methods of cultivation to control their expenditure on unproductive objects, such as on social and ceremonial occasions and on litigation, etc. In general the banks must see that the borrowers practise thrift. Do you agree?—I quite agree.

Therefore any financing agency, if it is to be really useful, must be based on the co-operative principle?—Yes, as far as possible.

On the same principles even for short-term loans, co-operative financing would be more suitable?—Yes.

Do you think that the quick spread of the co-operative movement is being prevented by lack of capital?—No, if only short-term business is taken into consideration.

It is therefore inherently impossible to push on co-operative financing at a rapid rate?—Quite so, not for lack of capital but for want of co-operative "bankability".

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In reply to the Vice-Chairman, the witness further said: that co-operative societies of those engaged in subsidiary industries should be formed and these societies may be financed by joint stock or co-operative banks.

Vice-Chairman: Do you think that the rates of interest charged by money-lenders will be deflated by a larger supply of capital to them by banks or by Government?—Yes.

Do you not think that the desire for making profits from interest is so ingrained that even with increased money they will try to keep up the rates of interest by appealing to the credulity of the villagers?—There would be no sudden fall in the rate of interest: but in course of time there would be a fall.

Do you not think that in selected areas where there is a dearth of non-official workers it will be possible to work branches of the Provincial Bank?—I would prefer a Central Bank to a branch of the Provincial Bank. The Provincial Bank should continue to finance Central Banks. The Central Bank being on the spot could get more money and has got a machinery at its command in touch with the people.

Chairman: Were not promises held out, when the movement was first started, that as the movement developed, the rate of interest would be reduced?—Where the societies have been properly organized and proper reserve funds have been accumulated, the rate of interest has been considerably reduced. Further reduction will be effected as societies develop. In some societies with good reserve fund, members I am told, are actually getting loans at 8 per cent.

Reply to the Vice-Chairman, the witness said: that if any existing Central Banks seriously misbehaved, they should be liquidated and replaced by branches of the Provincial Bank.

Vice-Chairman: I presume that you desire that the advantages of such banks, if established, should be extended to occupancy tenants of the Central Provinces as well?—Yes.

Chairman: I understand the probably in this district, as in others, there are certain estates under Court of Wards management?—Yes.

The aim of Government, as long as the estates are under the Court of Wards, is, among other things, to set an example to all the malguzars in the country side and to operate as a model. Have any Court of Wards estate to your knowledge ever done any good to tenants?—Yes. Greatly to the credit of the district of Drug, I may say that one estate, viz., Panabaras, has started a bank of its own. About 60,000 has been collected from estate servants the estate and leading men lent out to people in groups. The other estates in the district also lend out grain and cash to their tenants.

Would you not agree that the Court of Wards estates ought to take a considerable part in financing their tenants where, at present, there are no facilities for getting cheap money?—Yes, I quite agree. Provision does exist under the Court of Wards Act for the payment of taccavi to tenants and there is scope for doing this.

Do you think it is justifiable for the Court of Wards to charge a higher rate of interest on taccavi, supposing they have a cash balance in hand, than what the Government charges on their taccavi?—Yes. They have to meet collection charges and have also to provide for bad debts.

As regards the wider question of taccavi granted by Government, it has been suggested to us that in many cases amounts advanced to individual persons are not sufficient for their real agricultural needs and it has also been suggested that in some tracts the general allotment for distribution is inadequate and particularly in backward tracts where other suitable facilities do not exist, notably in raiyatwari areas of Government that Government should take a larger part in financing agriculturists. Do you agree with these suggestions?—I quite agree.

In the advancing and collection of taccavi, have you found that there is any loss to Government? Have you had any difficulty in making recoveries?—No.

Supposing the allotment to you is substantially increased, do you foresee any Government money being lost?—No. There is a great scope for increase in other districts: but Drug is a district where at present there is very little demand for taccavi and at times I have to surrender a part of the allotment.

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Professor A. C. Sen Gupta: In connection with the question of the rights of transfer being granted to occupancy tenants, can you tell us whether lands held in absolute-occupancy rights have changed hands?—There has not been much expropriation of absolute-occupancy tenants. If required, I will send these figures later on.

Do you think it is likely that occupancy tenants when given rights of transfer would lose their land to a very large extent?—Some of them may.

Do you think that any compensation should be paid to the malguzars in such cases?—Yes, of course. It is a recognized source of income to the malguzars.

Chairman: Does Government recognize this as a source of malguzari income in its land revenue assessment?—No.

Having regard to the fact that Government has not recognized this source of income at revenue assessment at settlement do you think that it is desirable that Government should now recognize it?—I think so: otherwise hardship might be caused, as many persons have invested money in land on the assumption that this was a fixed source of income.

Professor A. C. Sen Gupta: You say that debts are left unpaid partly due to a false sense of security encouraged in them by creditors. Would you explain your meaning?—Money-lenders do not insist so strictly on repayment as they ought to if they had also the good of the borrower in view.

You say that about 100 societies borrowed a lakh of rupees last year and if societies were organized in all the villages, about Rs. 25 lakhs will be required. Do you agree that members borrow not only from societies, but also from sowkars and malguzars?—Mine is only a rough estimate.

Chairman: Is the Drug district more heavily indebted than the other districts in the north of the provinces?—It is less indebted.

Professor A. C. Sen Gupta: Are village money-lenders in any way connected with town money-lenders?—There is no regular system. In certain cases village money-lenders get money from town money-lenders.

As regards discounting of money-lenders' papers by commercial banks, do you think the commercial banks will accept these papers?—They will not look on them with suspicion if the safeguards I have suggested are provided. If the crop fails and the cultivator cannot pay back, the commercial bank can grant one renewal. The risk is not great as the paper is discounted to about only 50 per cent of the advances in cash and is backed by the endorsement of a substantial money-lender solvent to cover the bank's losses from his other property, if necessary. There are some areas more secure than others, where this difficulty i.e., the question of renewal will not arise at all.

Mr. P. D. Pandlik: Is it your opinion that the system of advancing taccavi is defective?—I do not think it is defective: but it is limited.

Is it not a cumbersome procedure to require several reports from several agents before taccavi is advanced?—I have had no complaints about these difficulties. At present officers when taccavi is to be distributed on a large scale, go to the villages and make enquiries on the spot.

Do you think that any separate agency is required for advancing taccavi loans?—At present we do not require any special officer. If advances are made on a more extensive scale, for instance, to the extent of Rs. 20,00,000 in one district, one special officer would certainly be required. Provided the Deputy Commissioner is an efficient officer and keeps a close eye on his subordinates, the existing system should work well.

Replying to Seth Narsinghdas Daga, the witness said: I agree that the rate of interest depends more than anything else upon the credit of the borrower and the risk involved in the transaction, so far as big banking firms are concerned. In the case of petty money-lenders in the interior, their capital is very small and the demand for money is great, and risk with them is not the only factor in determining the rate of interest. My impression is that, even when demanded, small creditors do not grant receipts. I do not think that by keeping the bonds with them, the creditors intend to recover money a second time: but there may be instance when the possession of discharged bonds may be utilized for fraudulent purposes. The writing charges recovered from the debtors do not wholly go to the writer: some portion of it is retained by the creditor. In some cases, the deduction of ten rupees out

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of a hundred rupees is appropriated towards the repayment of the instalments: but in some cases this sum of rupees ten is taken by the creditor without being so appropriated. What I have stated in this respect is based on the information supplied to me by malguzars, sowkars and ryots and I hold notes of statements of persons from whom I enquired. This is not therefore pure hearsay. There are instances where I have known *munims* have charged moneys from the debtors for finding out loans for them from their masters. My estimate of the net profits of the money-lending business at 9 to 18 per cent is based on the balance sheets examined by me. Eighteen per cent profit is in those cases where the lender has not to entertain any large establishment, but is working himself. Those money-lenders who have organized money-lending business get only 9 per cent net profit. If money-lenders are put out of the field, agricultural finance will suffer considerably and when I advocate that money-lenders should be licensed, I am also in favour of their getting certain privileges. I see no harm in raising capital for the land mortgage bank from abroad, if rich people who do lending have the impression that the bank will be injurious to their own interests and do not come forward, to subscribe to it. I do not think it is a bad thing, in these circumstances, if the interest on the capital goes to people outside.

Chairman: Supposing the land mortgage bank is started in the Central Provinces and the local moneyed persons refuse to put their money in it, do you think there is any foreign country in the world the inhabitants of which will be willing to put their money?—The other provinces of India might; but very few from outside India will.

Rao Bahadur M. G. Deshpande: It has been said that the indebtedness of agriculturists had increased on account of the co-operative movement. Do you believe in this?—No.

Do you believe that members of societies are more heavily indebted than non-members?—I have not collected any information on this point. My impression is that people joined the societies with a view to pay off their old debts. But in cases they never repaid their debts they became more heavily involved.

Do you think that the rate of interest in areas where the co-operative movement is spreading has gone down?—Yes.

As regards rights of transfer to occupancy tenants, which you have recommended, are you in favour of giving these rights to persons joining land mortgage banks or to all in general?—To all in general.

Suppose the land mortgage bank is not started. Do you think it necessary to give rights of transfer to occupancy tenants?—Yes, subject to certain conditions which I have mentioned in the case of members of the aboriginal tribes.

Supposing they are given rights of transfer and that their old debts are not cleared off, do you not think that occupancy tenants would lose their lands to sowkars?—In certain cases they will lose their lands: but occupancy tenants could be trusted not to walk into the trap with blindfolded.

Do you not think it necessary that, before giving them rights of transfer, we should clear off their old debts?—I would very much wish to do so: but it is not possible. Occupancy tenants may sell off a portion of their lands and clear off their old debts.

Do you think that absolute-occupancy tenants are required to pay the same interest as occupancy tenants?—They get at a lower rate of interest.

Mr. C. D. Deshmukh, the Settlement Officer of Raipur, has stated that the rate of interest is just the same in both the cases. Do you agree?—I do not agree. It may be the result of his enquiry. The rate of interest depends upon the personal character of the man as well as on the security offered. A good occupancy tenant may be of the same rate as an ordinary absolute-occupancy tenant, while an absolute-occupancy tenant with low credit may pay a much higher rate than what an occupancy tenant pays. But my impression is that rate of interest in the case of absolute-occupancy tenants is lower than in that of the occupancy tenants.

It is stated that 90 per cent of the money-lenders in this division are malguzars. Is it true?—There are some malguzars who are also money-lenders. Out of about 250 people who do money-lending in my district, about 100 are malguzars who have taken to money-lending as a subsidiary business.

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As regards the financing of Central Banks by the Provincial Bank, can you suggest any remedy by which the rate of interest on loans to the majority of societies may be reduced?—The obvious one is the building up of their reserves and transferring their reserves to working capital. Where there is a waste, expenditure should be reduced; but any reduction at the cost of supervision and guidance will be a fatal step. If the Provincial Bank lends societies directly and the Central Bank is only a supervising agency, the Directors of Central Bank will not be so careful as they would when they advance money raised by themselves. At the same time if Central Banks are found to be reckless in future, abolish these Central Banks and establish branches of the Provincial Bank. Much of the disaster is, in my opinion, due to lack of supervision. There is not much point in saying that education was not given before societies were started.

Have you got any idea about the net return of joint stock banks?

They are published in the papers. I think the Imperial Bank has been giving a 16 per cent dividend. We can see these in any Indian Year Book.

Chairman: Thank you very much.

V.—EVIDENCE OF WITNESSES WHO DID NOT FURNISH WRITTEN STATEMENTS BUT WERE ORALLY EXAMINED.

MR. KARIMBOY, Merchant, Raipur.

Oral Evidence.

Raipur, the 20th February 1930.

In reply to the Chairman, the witness said:—I am a Kachhi by caste and the late agent of Daud Mahommad Ayub. I import goods from Calcutta, Bombay and Madras, both on credit and on cash payments, and have a small shop. I pay 9 per cent interest on my credit transactions. I sometimes purchase hundis from the local bazar and pay two to four annas as commission on them. I myself am only a small businessman and, therefore, my requirements are slight: but some of the bigger traders have many troubles which they will explain to the Committee when they are examined.

MESSRS. WALI MAHOMMAD }
 ABDUL } Joint evidence. All Merchants
 ABDUL HATIF and } of Raipur.
 ADAMJI. }

Oral Evidence.

Raipur, the 20th February 1930.

*In reply to the Chairman, the witnesses said—*Our principal business is grain business. We buy rice in the market for export. About Rs. 75,000 worth of rice is purchased every day for export in the season. Including all grains, about one lakh of rupees worth of grains, purchased daily. A good portion of it goes to Berar, Khandesh and Ahmednagar. We have considerable difficulty in our transactions with the Imperial Bank. In the old days they used to advance money on the railway receipts when we deposited them there for being sent to their destination. Nowadays they refuse to pay any money until the railway receipt has reached its destination and the money has been paid into the bank at the other end. We do not do business on hundi: but we send for money by telegraphic transfers. When orders are received, the Imperial Bank pays us in notes, but not in rupees. We do not want notes, because the cartmen from whom we buy the grain insist on being paid in rupees and we have to change our notes into rupees from the bazar. The treasury also refuses to exchange these notes into rupees. We live here during the business season and then return for four months to our homes in Kathiawar. We take houses on rent here: but the Imperial Bank apparently does not trust us, because we have no immoveable property here. We make our living in British India and return to Kathiawar, where there is no bank except the Rajkot branch of the Imperial Bank. The financial arrangements in British India are far better than those in the native state where we reside. Even when we deposit our property with the Imperial Bank they are not willing to give anything, because they say that goods depreciate in value, and they have no assets from which to recover their losses in such cases. The system of advancing by the Imperial Bank should be made more elastic. The Allahabad Bank has also got a branch here and they previously used to make advances to us, but now they too refused to do so. Our community are trading people of Kuchi, and we do about two crores rupees worth of business every day throughout India and we carry on this business necessarily through advances from big banks, and if big banks are to discontinue to give us financial assistance, we shall have to stop our business as we cannot maintain our large staff of servants. If our business ceases, the price of goods in the market will fall and cultivators will lose very heavily.

As regards the petty dealers who go out into villages and purchase grain and bring them into the market for wholesale sale, it should be remembered that these persons are performing a great service to the rural community, as if they did not exist, the villagers would be bringing in grain in headloads and small quantities, and it would be quite impossible for them to sell these small quantities in the market, nor would it be possible for us to purchase these from petty dealers in small quantities. These middlemen who thus go out and bring the grain to the market are very necessary. I do not believe that these middlemen are guilty of serious malpractices as alleged by some people. I feel that they perform a very valuable service in return for which they do not receive more remuneration than they merit. Actually when the measurement is done, the villagers produce their own measures which the local middlemen test with their own *losh* measure which they take with them. The Firm of Rai Bahadur Bansihal Abirchand is as equally hard-hearted on us as the Imperial Bank and Allahabad Bank. Another point which I bring to notice is the uneven and high rates charged for the transport of goods by railway for the same distance. If Government really wishes to benefit the agriculturists, the rates of freight on agricultural produce should be reduced. We also have considerable difficulty in withdrawing the money which we have deposited in the banks. All kinds of difficulties are created about the identification, etc., at the time of withdrawal. To improve the income of the agriculturists, we would suggest that improved tilli seeds be called for from Berar and Tumsar as this fetches a better yield and local cultivators should be encouraged to sow this instead of local seed. They must also be encouraged to sow improved Jeera seeds. They should also be encouraged to sow black pepper.

JOINT EVIDENCE, MERCHANTS, RAIPUR.

**Mr. GOURI SHANKER, Deputy Superintendent,
Veterinary Department, Chhattisgarh Division, Raipur.**

Oral Evidence.

Raipur, the 21st February 1930.

Chairman: I understand that you are Deputy Superintendent of Veterinary Department in charge of Chhattisgarh Division. How many years' service have you put in?—I have put in 28 years' service. I have been many years in the Chhattisgarh Division.

It has been stated before us that one of the principal causes of indebtedness in rural areas in Chhattisgarh is the heavy mortality of cattle owing to epidemics. Can you tell us what steps you are taking to reduce epidemics?—Reports were made to Veterinary Assistant Surgeons by patwaris formerly; they are now made by police. When the report is received the Veterinary Assistant Surgeon goes to that part to attend and to carry out inoculations in rinderpest, hæmorrhagic septicaemia, Anthrax and Blackquarter.

How many Veterinary Assistant Surgeons are there in Chhattisgarh?—There are 18 Veterinary Assistant Surgeons in Chhattisgarh.

The total area of Chhattisgarh is approximately 22,000 square miles. Is it not?—Yes. 21,383 square miles.

Does it not sometimes occur that there are a number of outbreaks of epidemics simultaneously in different parts of one district?—In one tahsil, why in one district.

Is it then possible for one Veterinary Assistant to attend, to 1,200 square miles at one time?—One cannot do so promptly.

Therefore the statement made before us that at present it is impossible for the Veterinary Department even to reach all the centres of epidemic in time is correct?—Yes. It is correct. Last year when I had 21 Veterinary Assistant Surgeons I worked out that 1,018 square miles and 529 villages and 150,000 cattle are roughly under each Veterinary Assistant Surgeon. Therefore at present it is not really possible for the Veterinary Department to cope with all epidemics efficiently. We cannot stop but we can control outbreaks.

Would you tell us whether in any village area the cattle mortality is less nowadays than it was 20 years ago. I do not know of any village where mortality of cattle is now less than it was 20 years ago. The cattle still die as before according to the incidence of cattle disease, and greater number kept to tend.

Vice-Chairman: Is mortality heavier in Chhattisgarh?—Yes. In Chhattisgarh it is heavier. The reason is that in these parts imported buffaloes are used for cultivation. And buffaloes are more susceptible to rinderpest than any other animal.

Then this mortality is largely due to buffaloes?—Yes.

What remedy would you suggest to prevent this mortality?—We have been trying the system of serum alone inoculation and if serum-simultaneous method is adopted, more good can be done. Up to now that method has not been tried here.

How many days one injection will have effect?—One injection under the existing system protects cattle from the disease (rinderpest) for 10 to 15 days.

Rao Bahadur M. G. Deshpande: Since how long is your department in existence?—It has been in existence in Central Provinces for the last 30 years but in reality it is extended only during the last 15 years.

During the last 15 years your department has done nothing to prevent diseases. Is it not?—We have been doing everything in our power to protect cattle from diseases, but the annual infection comes with foreign cattle from outside the province. These cattle bring infection with them.

Chairman: Can you tell us the average mortality in Chhattisgarh every year?—From the figures I have got of last year about 9,988 cattle appear on the register. The total number of deaths must have been much greater. These figures refer to villages from which Veterinary Assistant Surgeons had received reports. The total number of reports received was 2,580. Some villages submitted reports more than once.

MR. GOURI SHANKER.

Is it correct to say that buffaloes are nearly all imported into Chhattisgarh from outside? Why are they not bred locally?—They are imported by road often from long distances. I cannot say why they are not bred locally. The epidemics are brought by the herds of imported buffaloes.

Rao Bahadur M. G. Deshpande: Can you not say that the cause of all this is that you have not got sufficient staff of Veterinary Assistant Surgeons? Supposing you have got more staff, you will be able to do more. Is it not?—Then we can cope better.

Have you tried this new method of serum-simultaneous inoculation?—We have not yet tried in this province. That method will probably receive sanction for being tried from April and then it will be tried.

Have you read any literature on that system?—Yes.

How many injections there will be?—There will be two injections.

How long this will continue protection?—They say 2½ to 3 years.

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