MAP of CENTRAL PROVINCES & BERAR

Scale 1 Inch = 40 Miles.

WHEAT ZONE

SATPURA PLATEAU ZONE

COTTON ZONE

RICE ZONE

Shahgarh
Bakain
Barodia
Lakhakhera
SAUGOR
DAMOH
Abhana
Surkhi
Maharajpur
Gadaghat
Bargi
JUBBULPORE
Karamta
Manakpur
Bilhi
NARSINGHPUR
Mohad
Pipariya
Imalia
Phulsagar
Gadaghat
MANDLA
Buchawar
HOSHANGABAD
Jasalpur
Karanpur
Chhapara Kedar
Jarhagaon
Chatarkhera
SEONI
Barghat
Pendari
BILASPUR
Seoni
Masangaon
Sukhara
Mohbadha
Brahmagaon
Padhar
CHHINDWARA
Panjra
Pulpura
Miregaon
Amalpura
BETUL
Linga
BALAGHAT
Kokadi
KHANDWA
Sasundra
Parras
Saoli
Rajegaon
Bhika
Mandao
Barodia
Melghat
Malegaon
Katangi
Patewa
Sarola
Assigaon
Ridhora
NAGPOR
Mathni
BHANDARA
RAIPUR
Purena
DRUG
Bethli
Sondar
Baiji
Menegaon
Kokarda Mazri
Ellikeli
Pachgaon
Adyal
Charra
Jasar
AMRAOTI
Joni
WARDHA
Dharangaon
Anwi
Mirzapur
Wadner
Kitadi
Murkeda
AKOLA
Belkhed
Nandura S.J.
BULDANA
YEOT MAL
Nandori
Belgatta
Malgani
Poti
Rajegaon
Nalgaon
Chandur
Ajni
Padha
Wagdara
CHANDA
Kupti
Nagram

REFERENCES.

- Areas where detailed enquiry into agricultural indebtedness was made by the committee
- Areas where mortgage debts were separately compiled
- Forest areas
- Districts under settlement
- Wheat Zone (Red)
- Satpura Plateau Zone (Blue)
- Cotton Zone (Black)
- Rice Zone (Green)

C.P. Govt. Press, R. No. 2737 Banking enquiry committee, D. 8-7-30, C.

8734

REPORT

OF THE

CENTRAL PROVINCES PROVINCIAL BANKING ENQUIRY COMMITTEE

1929-30

VOLUME I



NAGPUR:
PRINTED AT THE GOVERNMENT PRESS
1930

Agents for the sale of Publications issued by the Central Provinces Government.

[NOTE.—Appointments of all official Agents in the Unite Kingdom and on the Continent for the sale of Governmer Publications have been terminated with effect from the 1st Apr 1925.

All publications in future are obtainable either direct fro the High Commissioner for India, India House Aldwyc London, W. C. 2, or through any bookseller.]

INDIA.

AKOLA.
The Proprietor, Shri Ramdas Stores, Tajnapeth.

ALLAHABAD:
Mr. Ram Narain Lal, Publisher, etc., 1, Bank Road.
The Superintendent, Nazair Kanun Hind Press.

AMRAOTI:
Thakur & Co., Booksellers.

BARODA:
Mr. M. C. Kothari, Bookseller and Publisher, Raopura Road.

BILASPUR:
Mr. M. A. Subhan, Bookseller and Publisher.

BOMBAY:
D. B. Taraporevala, Sons & Co., 190, Hornby Road, Fort.
Radhaba' Atmaram Sagoon
Sunder Pandurang, 25, Kalbadevi Road.
Thacker & Co., Ltd.

CALCUTTA:
The Book Company, 4/4-A, College Street.
Butterworth & Co. (India), Ltd., 8-2, Hastings Street.
The Indian School Supply Depôt.
M. C. Sircar & Sons., 75, Harrison Road.
Newman & Co.
R. Cambray & Co.
S. K. Lahiri & Co.
Thacker, Spink & Co.

COOCH BEHAR:
Babu S. C. Taluqdar, Proprietor, Students & Co.

DELHI:
The Oxford Book and Stationery Co.

JUBBULPORE:
The Manager, General Boo Depôt.

KARACHI:
The Standard Bookstall.

KHANDWA:
The Proprietor, Shri Ramdas Store Khandwa Branch.

LAHORE:
Rai Sahib M. Gulab Singh Sons.

LUCKNOW:
The Proprietor, Newal Kishor Press.
The Upper India Publishin House, Ltd., 41, Aminaba Park.

MADRAS:
Higginbotham & Co.
S. Murthy & Co., Post Bo No. 152.
The Proprietor, The City Boo Co., Post Box No. 283.

NAGPUR:
Aidan Binzani, Proprietors, Kar mavir Book Depôt, Mahal
Mr. G. G. Khot, Walker Road.
Mr. G. A. Shastri, Bookseller an Publisher, Hislop College Road
The Manager, General Boo Depôt.
The Manager, "The Hitavada"
The Proprietor, Bhisey Brothers Booksellers and Publishers.

PATNA:
The Patna Law Press Co.

POONA:
The Proprietors, New Kitabkhana

RANGOON:
The Superintendent, American Baptist Mission Pres.

SIMLA:
Thacker, Spink & Co.

8734 X62.271.N3
G0.1
8734

TABLE OF CONTENTS.

Map of the Central Provinces and Berar ... Frontispiece.

PART I.

CHAPTER I.—INTRODUCTORY.

		PARAS.
I.—Appointment	...	1—4
Terms of reference	...	5
II.—Procedure of work	...	6—28
Our sampling method	...	15—26
Intensive survey	...	27
Considerations determining our programme and the appointment of Industrial Sub-committee.		28
III.—Itinerary	...	29—44
Preliminary meetings and discussions	...	30—44
IV.—Work done	...	45—56
How the intensive surveys were made	...	48—50
Recording of evidence	...	51—55
V.—Cost of enquiry	...	57
VI.—Difficulties	...	58—62

CHAPTER II.—SPECIAL FEATURES OF THE PROVINCE.

I.—Descriptive	..	64—77
Central Provinces	...	64
Berar	...	65—67
Population	...	68—70
Urban areas	...	71—72
Rural areas	...	73—77
II.—Land tenures	...	78—104
A.—Berar	...	78—89
Khalsa tenure	...	79-80
Jagirs and inams	...	81
Izara tenure	...	82—85
Palampat	...	86—89
B.—Central Provinces	...	90—104
Malguzars	...	92-93
Malik-makbuzas	...	94
Tenants	...	95—98
Absolute-occupancy	...	96
Occupancy	...	97-98
Zamindari villages	...	99
Raiyatwari villages	...	101—104
III.—Crops and method of cultivation	...	105—154
Crops	...	105-106
Rain crops	...	107—130
Rice	...	107—116

	PARAS.
Cotton ...	117—121
Juar ...	122—128
Kodo kutki ...	129-130
Winter crops ...	131—154
Wheat ...	131—143
Birra ...	144—147
Mixed crops ...	148—149
Double cropping ...	150—154
IV.—Main agricultural zone ...	155—191
Cotton zone ...	157—161
Character of the tenantry and staple food-grain.	159—160
Soils ...	161
Rice zone ...	162—175
Character of the tenantry and staple food-grain.	168—173
Soils ...	174
Wheat zone ...	176—184
Character of the tenantry ...	181—183
Soils ...	184
Satpura plateau zone ...	185—191
Character of the tenantry ...	191
V.—The village: The unit of rural economy ...	192—216
The abadi or village site ...	194—200
The house ...	201—203
The bari or garden ...	204—206
Communal rights in the village ...	207—216
Nistar ...	212—215
In Berar ...	216
VI.—The village life ...	217—262
Communications ...	217—220
The village in earlier days ...	223—233
The bazar village ...	234—253
The origin of the money and grain lender ...	254—256
The mahajan ...	259—262
VII.—The modern village ...	263—315
The others or third class ...	264—274
Farm labourers and agricultural labourers ...	275—278
Rent-paying cultivators ...	279—280
The big farmer ...	281
The average tenant ...	288
Small tenants with subsidiary employment ...	289
The malguzar	290—314
VIII.—Rural economy ...	316—345
IX.—Cost of maintenance and of clothing the cultivator's family.	346—370
Agricultural labourer ...	370
X.—Expenses of cultivation ...	371—393
XI.—Rent ...	394-395

		PARAS.
XII.—Value of the crops	...	396—418
The uncertainty of agriculture	...	398—404
Cash value of crops	...	405
Marketing	...	410—415
XIII.—Provincial agricultural balance sheet	...	419—481
Average net outturn on the whole cultivated area including resting fallows.		417—418
Landlords or malguzars	...	421—423
Rent-paying cultivators	...	424—427
Average holding	...	428—452
Subsidiary income	...	453—469
The financial position of the average cultivator summed up.		470—476
Financial position of agricultural labourer	...	478—481
XIV.—The rural financier	...	482—527
The need for the rural financier	...	482—486
Thrift habit	...	487—495
Ornaments	...	496—498
Alleged extravagance of the cultivator	...	504—506
Services rendered by the village money-lender		507—509
Position of village money-lender in earlier days.		510—515
His position under the British rule	...	517
Legislation for the protection of debtors	...	523—525
Its result	...	526
XV.—Land values	...	528—533
XVI.—Conclusions—		
Objections considered	...	534—543

CHAPTER III.—GENERAL DESCRIPTION OF EXISTING CREDIT AGENCIES.

I.—Imperial Bank of India	...	544—560
II.—Joint Stock Bank	...	561—567
III.—Exchange Banks	...	568
IV.—Private Banks	...	568
V.—Indigenous Banks	...	569—600
Definition of Bank and Bankers	...	569—573
The indigenous money-lender	...	574
Village money-lenders	...	585
The Mahajan	...	586—590
The Rohilla	...	591
Malguzar	...	592—599
Others	...	600
VI.—Terms of advances and rates of interest	...	601—606
VII.—Co-operative Banks	...	607—615
VIII.—Post offices and other Savings Banks	...	616—619

		Paras.
IX.—Government	...	620—625
Agriculturists' Loans Act	...	621
Land Improvement Loans Act	...	622—625
Interest	...	624

PART II.

CHAPTER IV.—AGRICULTURAL INDEBTEDNESS.		
I.—Agricultural debt ...	...	626—643
Volume of debt	...	626—643
II.—The Profit and Loss Account	...	644—660
Non-agricultural income	...	648—651
Analysis of indebtedness	...	653-654
Value of gold and silver	...	655—657
Non-agricultural assets and agricultural debts compared.		658—660
III.—Fluctuations in the amount of outstanding debt		
Seasonal loans	...	663—677
Estimate of repayment of seasonal short-term loans.		678—681
Application of cross-checks	...	685—688
IV.—Some other aspects of indebtedness	...	689—702
V.—Indebtedness of landlords	...	703—712
VI.—Cultivators' indebtedness ...	...	713—719
VII.—Economic position of an average cultivator	...	720—723
VIII.—Distribution of debt	...	724—731
Variations	...	732—736
IX.—Purposes for which loans were incurred	...	737
Difficulty of classification	...	738
Percentage of productive debt	...	739
Old debts and loans for repayments of earlier debts.		740
The debts for marriages and ceremonies	...	741
Rent and revenue	...	742
Maintenance expenses	...	743
Cost of cultivation	...	744
Purchase of improved implements	...	745
X.—Causes of indebtedness	...	746
General consideration of the causes of indebtedness.		747—751
Main function of finance	...	752
Definition of credit	...	753
Causes of indebtedness examined	...	755—782
(*a*) The Land Revenue Policy of Government		755—757
(*b*) Improvidence and extravagance of cultivators.		758—760
(*c*) Uneconomic size of holdings	...	761—765
(*d*) The rapacity of money-lenders	...	766—768
(*e*) Uncertainty of agriculture, the main cause of agricultural indebtedness.		769—773
The fool and his money are soon parted	...	774

		Paras.
	Causes of indebtedness in the cotton zone ...	766—780
	Our conclusions ...	781-782
XI.—	The effects of indebtedness ...	783—785
XII.—	Sources of finance and conditions of borrowing	796—828
	(*a*) Government ...	799—802
	(*b*) Co-operative ...	803
	(*c*) Landlord ...	804-805
	(*d*) Court of Wards ...	806—819
	(*e*) Mahajans ...	820—828
XIII.—	Existing credit facilities for discharging debt ...	829—840
	Co-operative credit societies and the old debts	835—839
	Land Mortgage Bank ...	840
XIV.—	Debt conciliation ...	841—850
	Method of work ...	843—848

CHAPTER V.—CREDIT FACILITIES FOR CURRENT AGRICULTURAL NEEDS.

I.—	Credit facilities required ...	851—864
	Seasonal requirements of rent-paying cultivators	854—856
	Intermediate loans ...	857—864
	Marriages ...	859—860
	Elasticity of indigenous system ...	861
	Its good and bad points ...	862—864
II.—	Existing facilities for short and intermediate loans.	865—891
	(1) The mahajan and the malguzar ...	867
	(2) The Co-operative Credit Banks ...	868—877
	Antipathy against the Co-operative movement.	869—872
	Need of Land Mortage Bank ..	873
	Its results ...	874
	Need of special credit facilities in backward tracts.	875—877
	(3) Government ...	878
	Period of loans ...	879-880
	Distinction between short and intermediate loans non-existent in the existing system of agricultural finance.	881
	Interest ...	882—884
	Conditions of loans ...	885—889.
	Adequacy of credit facilities for short and intermediate loans.	890
	Need for facilities to liquidate old debts ...	891
III.—	Co-ordination of credit agencies ...	892—993
	Difficulty of linking indigenous banks with joint stock banks.	895-896
	Need for Apex Agricultural Bank ...	897-898
	Unsuitability of Commercial Bank to finance agriculture.	899
	Complaint against the Imperial Bank ...	900-901

	Paras.
IX.—Government ...	620—625
Agriculturists' Loans Act ...	621
Land Improvement Loans Act ...	622—625
Interest ...	624

PART II.

CHAPTER IV.—AGRICULTURAL INDEBTEDNESS.

I.—Agricultural debt	626—643
Volume of debt ...	626—643
II.—The Profit and Loss Account ...	644—660
Non-agricultural income ...	648—651
Analysis of indebtedness ...	653-654
Value of gold and silver ...	655—657
Non-agricultural assets and agricultural debts compared.	658—660
III.—Fluctuations in the amount of outstanding debt	
Seasonal loans ...	663—677
Estimate of repayment of seasonal short-term loans.	678—681
Application of cross-checks ...	685—688
IV.—Some other aspects of indebtedness ...	689—702
V.—Indebtedness of landlords ...	703—712
VI.—Cultivators' indebtedness	713—719
VII.—Economic position of an average cultivator ...	720—723
VIII.—Distribution of debt ...	724—731
Variations ...	732—736
IX.—Purposes for which loans were incurred ...	737
Difficulty of classification ...	738
Percentage of productive debt ...	739
Old debts and loans for repayments of earlier debts.	740
The debts for marriages and ceremonies ...	741
Rent and revenue ...	742
Maintenance expenses ...	743
Cost of cultivation ...	744
Purchase of improved implements ...	745
X.—Causes of indebtedness ...	746
General consideration of the causes of indebtedness.	747—751
Main function of finance ...	752
Definition of credit ...	753
Causes of indebtedness examined ...	755—782
(*a*) The Land Revenue Policy of Government	755—757
(*b*) Improvidence and extravagance of cultivators.	758—760
(*c*) Uneconomic size of holdings ...	761—765
(*d*) The rapacity of money-lenders ...	766—768
(*e*) Uncertainty of agriculture, the main cause of agricultural indebtedness.	769—773
The fool and his money are soon parted ...	774

		Paras.
	Causes of indebtedness in the cotton zone ...	766—780
	Our conclusions ...	781-782
XI.—	The effects of indebtedness ...	783—785
XII.—	Sources of finance and conditions of borrowing	796—828
	(*a*) Government ...	799—802
	(*b*) Co-operative ...	803
	(*c*) Landlord ...	804-805
	(*d*) Court of Wards ...	806—819
	(*e*) Mahajans ...	820—828
XIII.—	Existing credit facilities for discharging debt ...	829—840
	Co-operative credit societies and the old debts	835—839
	Land Mortgage Bank ...	840
XIV.—	Debt conciliation ...	841—850
	Method of work ...	843—848

CHAPTER V.—CREDIT FACILITIES FOR CURRENT AGRICULTURAL NEEDS.

I.—	Credit facilities required ...	851—864
	Seasonal requirements of rent-paying cultivators	854—856
	Intermediate loans ...	857—864
	Marriages ...	859—860
	Elasticity of indigenous system ...	861
	Its good and bad points ...	862—864
II.—	Existing facilities for short and intermediate loans.	865—891
	(1) The mahajan and the malguzar ...	867
	(2) The Co-operative Credit Banks ...	868—877
	Antipathy against the Co-operative movement.	869—872
	Need of Land Mortage Bank ..	873
	Its results ...	874
	Need of special credit facilities in backward tracts.	875—877
	(3) Government ...	878
	Period of loans ...	879-880
	Distinction between short and intermediate loans non-existent in the existing system of agricultural finance.	881
	Interest ...	882—884
	Conditions of loans ...	885—889
	Adequacy of credit facilities for short and intermediate loans.	890
	Need for facilities to liquidate old debts ...	891
III.—	Co-ordination of credit agencies ...	892—993
	Difficulty of linking indigenous banks with joint stock banks.	895-896
	Need for Apex Agricultural Bank ...	897-898
	Unsuitability of Commercial Bank to finance agriculture.	899
	Complaint against the Imperial Bank ...	900-901

PARAS.

CHAPTER VI.—CREDIT FACILITIES FOR LONG-TERM CREDIT.

I.—Land Improvement ... 902—912
Various items of permanent improvement to land. 902
Credit facilities actually existing ... 903—905
Part played by different banks, bankers, money-lenders and landlords. 906-907
The rate of interest charged on loans and other conditions. 908—912
Rate of interest ... 908-909
Conditions of loans ... 910—912
II.—Credit facilities required ... 913—916
Long-term loans for discharging prior debts ... 917-918
Need of a Provincial Land Mortgage Bank ... 919
Evils arising from absence of agency for long-term loan. 920—927
III.—Land Mortgage Bank ... 928—931
Incorporation ... 932
Function of the Bank ... 933—936
Loans advanced by the Bank ... 937—942
Security of loans ... 943—944
Amount of loan ... 945—948
Repayments ... 949—951
Provident Fund ... 952
Recovery ... 953
Constitution of the Bank ... 962—975
Capital ... 963—965
Rights of Shareholders and Directors ... 966
Appointment of Directors ... 967
Chairman and term of office of Directors ... 968
Advisory Committee ... 969
Management ... 970-971
Agents and Branches ... 972—974
Period of loans ... 975-976
Method of obtaining working capital ... 977—989
Debentures ... 978—984
Government aid ... 985—989
Special conditions ... 990
Profits, Dividend and Reserve Fund ... 991
Re-examination of Charter, Liquidation to ... 992-993
IV.—Co-ordination of credit agencies ... 994—1002
V.—Government loans— ...
Review of system of Government loans ... 1003—1033
Complaints made regarding the distribution of taccavi loans. 1023
Limit of individual advances ... 1029-1032
Limit to be raised ... 1033
Suggestion regarding the grant of taccavi loans for purposes not purely agricultural. 1034
Restrictions should be relaxed ... 1035
Rigidity of recovery to be maintained ... 1036

	PARAS.
In fit cases suspension should be given ...	1037
Fixation of instalments ...	1038
CHAPTER VII.—MARKETING.	
I.—Descriptive ...	1039—1041
Total exports ...	1042
Village Bania ...	1045
II.—Cultivator's losses in marketing ...	1046
Alleged rapacity of the middleman ...	1047
Part played by itinerant trader ...	1050-1051
III.—Wholesale markets ..	1052—1058
In Berar ...	1053—1057
Procedure in Berar markets ...	1054
Allegations against Dalals unfounded ...	1058
Usefulness of Dalals ...	1056-1057
In the Central Provinces ...	1058
IV.—Difficulties of marketing ...	1059—1068
(*a*) Variety of weights and measures ..	1055
Remedy suggested ...	1060
(*b*) Communications ...	1061—1065
Village roads to be kept in good order ...	1064
Duties of local bodies and village panchayats	1065
(*c*) Mixing of produce ...	1066
(*d*) Lack of storage facilities ...	1067
(*e*) Information in rural areas with regard to market conditions.	1068
V.—Effect of indebtedness on market ...	1069—1072
Loans by adatiyas ...	1070
Supposition that indebtedness reacts on the prices unfounded.	1072
VI.—Part played by middlemen ...	1074—1079
Finance obtained by middlemen ...	1076
Middlemen necessary under the present conditions.	1077—1079
VII.—The danger in holding up produce for a rise in prices.	1080—1086
Danger of holding up cotton for better prices ...	1082—1084
Egyptian cotton scheme considered ...	1085
VIII.—Co-operative marketing ...	1087—1091
World Economic Conference at Genoa ...	1088-1089
Co-operative sale societies and pools ...	1091
IX.—Licenced warehouses ...	1092—1099
Market committees to take the initiative ...	1099
X.—Better organization of markets ...	1100—1118
Weekly markets and fairs ...	1101
Ganj or mandi ..	1102
Cotton markets of Berar ...	1103
Reform contemplated ...	1104
Restrictions on the appointment of brokers ...	1105
Introduction of platform scales ...	1106
Charges against adatiyas ...	1107—1110
Wholesale markets in the Central Provinces ...	1111-1112
District Market Officer ...	1113—1118

PARAS.

XI.—Marketing Finance ...1119—1124
Finance for marketing produce for internal and external trade. 1119—1123
How petty dealers obtain finance ...1120—1121
How big purchasers secure finance ... 1122
Complaint against Imperial Bank ... 1123
Exchange ratio ... 1124

CHAPTER VIII.—INTERNAL TRADE.

Organization of internal trade ...1125—1127
Food grain and pulses ...1128—1132
Ghee ... 1133
Sugar ... 1134
Vegetable oils ...1135—1138
Building materials ...1139—1144
Oranges ...1145—1149
Leather ...1150—1152
Cotton piece-goods ... 1153
Existing credit facilities ...1154—1157
Woollen goods ...1158—1162
Silk goods ... 1163
Enamel, aluminium and glassware ... 1164
Oilman stores ... 1165
Hosiery ... 1166
Yarn ... 1167
Hardware ...1168—1170
Kabuli trader ... 1171
Credit facilities for wholesale dealers adequate 1174
Complaint of Nagpur traders ... 1175

CHAPTER IX.—INDUSTRIES AND THEIR FINANCE.

Mines and Factories ...1176—1186
Cotton and ginning factories in excess of the demand. 1187
Pools and combinations react unfavourably on the cultivator. 1188-1189
Co-operative ginning unsuitable under the existing conditions. 1190

I.—Organized or semi-organized industries ...1191—1218
Oil mills ... 1191
Indigenous oil-pressing machines ...1192—1194
Glass factories ...1195—1199
Onama Glass Works, Limited ... 1195-1196
Difficulty of obtaining finance ... 1197
Nagpur Glass Works ... 1198-1199
Rice Hulling Mills ... 1200
Shellac industries .. 1201—1207
Lack of credit facilities ...1205—1207
Bidi factories ...1208—1210
Financial assistance not needed ... 1211-1212
Raw material easily available . 1213-1214
Flour Mills ... 1215-1216

	PARAS.
Indigenous banker shy to finance industrial enterprise.	1217
Case for an Industrial Bank ..	1218
II.—Cottage industries ...1219—1305	
Rigidity of caste rules, a hindrance ...1220—1221	
Cottage industries ...1222—1225	
Weaving ...1226—1257	
Yarn ...	1229
Causes of decline of the handloom industry ...1230—1234	
Need for better marketing and credit facilities	1235
Introduction of the improved sleys ...	1236
Overproduction and reduction in prices ...1239—1242	
Woes of small weavers ...1243—1244	
Marketing difficulties ...	1245
Average monthly income of a weaver ...1248—1250	
Responsibilities of the Department of Industries.	1251
Co-operative shop ... 1252-1253	
Khadi Karyalaya and their method of work ...1254—1257	
Dyeing and calico printing ...1258—1262	
Requirements ...1259—1261	
Co-operative credit, a suitable financing agency.	1262
Brass and copper industry ...1263—1272	
System on which raw material is supplied ...1267—1271	
Kachha system ...	1268
Zuzawan system ...	1269
Bell metal industry ...1272—1281	
Marketing and finance ...1275—1283	
Labour saving machines ...	1284
Tanning and leather working ...1285—1292	
Financial requirements ...1289—1292	
III.—Needs of cottage industries need for increased activity by Department of Industries.	1298—1301
Industrial Commission's recommendations not carried out.	1302
Case for the appointment of a wholetime Director of Industries.	1306—1310
Industrial credit and sale societies ...1308—1311	
State Aid to Industries Bill ...	1312
Rural area ...1313—1318	
Cattle breeding ...1314—1317	
Poultry farming ...	1318
IV.—Need for industrial development in the smaller towns.	1320—1337
Industrial survey necessary ...	1329
Industrial Bank ...	1331
Urgent need for State Aid to Industries Act ...	1332
V.—Industries beneficial to agriculture ...1338—1346	
Manufacture of bone meal manure ...	1338
Factories for producing fertilizers ...	1339

	Paras.
Need for co-ordination	...1340—1341
Economic survey necessary	... 1342
Financial aid to cottage industries under State Aid to Industries Bill	1345
Need for industrial school	... 1346

CHAPTER X.—REMITTANCE FACILITIES AND INSTRUMENTS OF CREDIT.

The use of Negotiable Instruments	...1347—1356
A.—Promissory notes and cheques	... 1347
Hundis	... 1348
Method of negotiation	...1349—1355
B.—Use of railway receipts	... 1356
C.—Cheques and drafts	... 1357
D.—Reduction of stamp duty on bills	... 1358
E.—Bearer hundis	... 1359
F.—Standardization of bills	... 1360
Hundis should be in English as well as in vernacular.	1361
G.—Amendment of the Negotiable Instruments Act	1362—1364
H.—Other methods of remittances	... 1365
I.—Recommendations	...1369—1378
Clearing houses	... 1371-1372
Need for increase in number of banks and of allowing Co-operative Banks to handle remittance operations.	1373
J.—Need for reduction in money-order charges	1374-1375
More extensive use of the Post Office for remittance and collection.	1376
Post Office to issue travellers letters of credit	...1376—1378

PART III.

CHAPTER XI.—CO-OPERATION.

Origin and history of Co-operative movement...	
I.—History of the Movement	... 1379-1380
II.—Period of experiments	... 1381
III.—Period of expansion	...1382—1397
Appointment of a whole-time Registrar and amendment of the Act.	1382
Classification under the amended Act	... 1383
(*a*) Agricultural credit societies	...1384—1336
Recoveries	... 1385
Deterioration in societies	... 1386
(*b*) Non-agricultural credit societies	... 1387-1838
(*c*) Non-agricultural societies with limited liability.	1389
Central Banks	...1390—1392
The Provincial Bank	.. 1393—1397

	PARAS.
IV.—The period of deterioration	...1398—1402
Causes leading to the failure of the movement	1398
(*a*) Unfavourable economic conditions ...	1399
(*b*) Reckless expansion ...	1400
(*c*) Neglect of recoveries ...	1401
(*d*) Internal weaknesses ...	1402
Non-agricultural credit societies with unlimited liability.	1399
Non-agricultural credit societies with limited liability.	1400
Central Bank ...	1401
Provincial Bank ...	1402
V.—Period of reconstruction	...1403—1414
Progressive and constructive measures adopted for reorganization of societies.	1403
Societies under Reserve Fund Scheme ...	1408
Non-agricultural credit societies with unlimited liability.	1409
Central Banks ...	1410
Provincial Bank ...	1414
VI.—Progress made with reference to the financial needs of agriculturists, small traders and industrialists.	...1416—1429
Uneven distribution of societies ...	1417-1418
Rates of interest	...1420—1423
Societies under Reserve Fund Scheme ...	1422-1423
Necessity for the reduction in the rate of interest.	1424
Causes of maintenance of the high rates of interest.	1425
Concentration of loans in hands of big borrowers.	1426
Conclusions	...1427-1428
VII.—Statistics of working capital and deposits and loans, etc.	1429
Deposits ...	1430
VIII.—Existing difficulties and defects and how to remove them.	1433—1501
Financial aspect	...1436—1438
Causes of accumulated overdues ...	1439-1440
Fundamental differences between financial position of indigenous banker and Central Bank.	1443—1446
The Sowcar's advantages of local knowledge and contact	1447
This local knowledge and control the primary society itself must supply.	1448—1451
Good security a contributory cause of negligence.	1452—1453
In co-operation the moral side cannot be separated from the financial side.	1454—1456

	PARAS.
Primary societies must be independent financial units.	1457
Training of societies essential to financial success.	1458
But unnecessary control harmful	...1459—1463
The efforts of Institute	... 1464
Up to now very few societies have begun to function properly.	1465
Training at first left to honorary workers	... 1466-1467
Prompt recovery of seasonal loans should present little difficulty.	1468
Long-term loans present more difficulties	... 1469
At first seasonal loans only should be given to new societies.	1470
The mistake of attempting to discharge prior debts.	1471
Failure to develop the investment habit in rural areas.	1477
The idea that the financial independence of primary societies would injure the Central Banks shown to be a mistake.	1479-1480
Effect of co-operative movement on members of societies up to date.	1481-1482
Indebtedness of members greater than that of non-members.	1483
Conclusions	... 1487
IX.—Adequacy of co-operative movement as a Banking Agency.	1488—1501
Functions of a modern bank	... 1489
Central Bank's progress	... 1490
Deposit business	.. 1491
Scope for extending business of some Central Banks to other Banking Functions.	1495
Such extension would be a boon to the public	1496
X.—Future line of development	...1502—1556
Supervision alone a makeshift only	...1503—1509
The 10th Conference of Registrars	... 1510
Training and supervision cannot be adequately performed by honorary workers alone.	1511
Degree of Government control	... 1512-1513
Need for Government Aid	... 1514
The limitations of the movement as a money-lending agency.	1515
The reasons why the limitations on the money-lending functions of the movement are not a cause for anxiety.	1518
The economic situation and needs of rural areas summed up.	1520—1529
The functions of co-operation should be to develop the thrift and investment habit.	153-01531
Suggestion that more harm than good is done by building up the reserve fund too rapidly.	1532-1536

PARAS.

At first seasonal loans alone should be granted to new Societies. 1537

Need for concentrated thrift campaign among members. 1538-1540

The proper line on which a primary society should develop. 1541

Rural reconstruction ... 1543

Necessity for inclusion of commercial and banking training in Schools. 1544

Economic Development Board ...1547—1548

Need for co-operative sale and supply Societies. 1549

Danger of forming primary societies in backward tracts. 1550-1551

Need for whole time Registrar ... 1554

XI.—Desirability of granting financial and other concessions by Government. 1557-1559

Exemption from income-tax ... 1557

Inclusion of debentures of co-operative banks in the list of trustee Securities. 1558

Cheaper Remittance Facilities ... 1559

Extension of co-operation in the direction of borrowing and lending on a provincial scale, etc. 1560

Relations with the Imperial and other Joint Stock Banks. 1561

Alleged competition with Joint Stock Banks 1562

PART IV.

CHAPTER XII.—LEGISLATION AND LEGAL PROCEDURE.

I.—Acts for the protection of the Agriculturist ...1563—1624

Brief history of the land tenures ...1563—1589

Malguzari tenancy ...1564 -1566

(*a*) Malguzari tenure .. 1567—1569

Sir ... 1568

Khudkast ... 1569

Tenancy land ... 1570

Malguzar's right of transfer limited ... 1571

Malguzars should have rights to tranfer sir without reference to the revenue authorities. 1572

(*b*) Revenue free grants ... 1573-1574

History of rights ...1575—1577

Mr. Martin Bird ... 1578

Sir William Sleeman ... 1579

Reaction in favour of restrictions ...1582—1584

Tenants ... 1585

Malik-makbuzas ... 1586

Absolute-occupancy tenants ... 1588

The Tenacy Act of 1920 ... 1589

	PARAS.
(*a*) Absolute-occupancy tenants ...	1590
(*b*) Occupancy tenants ...	1591
(*c*) Sub-tenants ...	1592
(*d*) Village service tenants ...	1593
The Land Alienation Act of 1916 ...	1594
Raiyatwari villages ...	1596
Berar Land Tenures ...	1597
Need for extending rights of transfer to occupancy tenants and Government ryots.	1599
Mr. Turner ...	1607
Land Purchase Act ...	1608—1614
The Consolidation of Holdings Act ...	1615—1622
Small Holdings ...	1623-1624
II.—The Usurious Loans Act ...	1626—1660
Limitations ...	1632
The Money-lenders Act ...	1661—1701
Receipts should be passed ...	1675
Accounts to be kept and copies supplied half yearly.	1675
Licensing ...	1677—1679
Conditions of licence ...	1680
Compound interest may be charged after one year.	1681
Rule of Damdupat ...	1683
Fixation of maximum rate of interest ...	1684-1685
Practice of money-lending without a licence to be penalized.	1689—1696
Civil Courts to have the jurisdiction ...	1697
Objections to the proposed legislation considered.	1699—1701
IV.—The Insolvency Act ...	1702—1771
Misunderstanding regarding the objects of the Act.	1704—1710
Importance of discharge proceedings not realized.	1711—1724
Necessity of giving wide publicity to the main provisions of the Act in the vernaculars of the province	1725-1726
Case for whole-time Insolvency Courts ...	1726—1733
Whole-time receivers necessary ...	1734
Conditional discharges to be preferred to absolute discharge.	1737—1741
Cancellation of the order of adjudication ...	1743
Special difficulties ...	1744—1746
Provision should be made empowering Courts to appoint Receivers in occupancy holdings.	1747—1749
Rural Insolvency Act not necessary ...	1757—1771
V—Legislation to promote better record-of-rights.	1772—1792

PARAS.

Record-of-rights in Berar ...1773—1783
Record-of-rights in the Central Provinces ...1784—1787
Desirability of introducing Berar system ...1788—1792

VI—Delay in disposal of cases ...1793—1818
Duration of cases ... 1794
Duration of appeals ... 1795
Delay prejudicial to both debtors and creditors. 1796—1799
Execution of decrees by Collectors ...1800—1803
Notice under rule 22, Order XXI, unnecessary 1804
Duration of rent suits to be reduced, closer supervision necessary. 1807—1811
Simple money suits to be transferred to Village Panchayats. 1812
Civil Justice Committee's Report ...1813—1818

VII.—Legal obstacles to the realization of just claims of money-lenders. 1819—1825
Clarification of the rights and liabilities of co-parceners and reversioners desirable. 1823—1925
Equitable mortgages ... 1826

VIII—Titles in land ...1827—1830
Dissent Note by Rao Bahadur M. G. Deshpande. (Pages 322—325).

PART V.

CHAPTER XIII.—INDIGENOUS FINANCE.

I.—No distinction exists between an indigenous banker and other credit agencies. 1831-1832
Functions of a banker ... 1833
Difference between modern bank and indigenous banker. 1835
Definition of a banker for purposes of this enquiry and its inadequacy. 1843
A better definition ... 1845

II.—The History of Indigenous Banking ...1847—1910
Mr. Simcox ... 1853
Mr. Jenkin ... 1854
Hindu Dharm Shastras ... 1855-1856
Attitude of Christian and Musalman Divines... 1857
The Patriarchal State of Society .. 1858—1863
Distinction between Interest and Usury as drawn by Manu. 1864—1867
Rate of interest depended on
(a) Caste of borrower
(b) Security of debt
(c) Risk involved } ... 1868-1869
Corporal interest ... 1870
Compound interest not allowed .. 1871
Rule of Damdupat ...1873- 1875

	PARAS.
Advent of the British ...	1876
Freedom of contract ...	1877
Legislation to control evils resulting from freedom of Contract.	1880
Taverniar ...	1881
Jenkins ...	1882
Bullion trade ...	1883
Banker also a trader	...1909—1904
Rate of Interest	...1905—1907
Terms of taccavi advances and grain loans by Patels.	1908—1910
III.—Method of business of indigenous banker	.. 1911—1928
Chitnavis family	...1913—1916
Ghatate family ...	1917
Firm of Rai Bahadur Bansilal Abirchand ...	1918
Methods of business	...1919—1928
IV.—Capital, Deposits and Reserves	...1929—1937
Capital ...	1929
Deposits :	. .1931—1934
Reserve ...	1935
V.—Lines and terms of advances	...1938—1954
Grain lending ...	1939
Rates of interest	...1940—1942
Small overhead charges ...	1943
Low paid munims ...	1946
Bad debts ...	1947
Evil results of high rate of interest ...	1950
Remedy	..1951—1954
VI.—Establishment	...1955—1961
Marwari Banker's Establishment ...	1960
VII.—Clients	...1962—1972
Hundis	...1973—1977
Hundis and the Modern Bill of exchange ...	1978
Forms of Hundis ...	1979
VIII.—Recommendations	...1980—2010
Licensing, publicity of accounts and attitude towards Government control.	1980—2010
Difficulty of linking of the Indigenous bankers with general banking system.	1993
Reduction of stamp duty ...	1995
Future of indigenous banking	...1996—2000
Formation of Private Banking Companies	...2001 2006
Government help necessary	...2007—2010

CHAPTER XIV.—OTHER INDIGENOUS CREDIT AGENCIES.

I.—Descriptive	...2011—2057
Money-lending in Urban areas	...2014—2016
Rural money-lending	...2017—2023
Difference between the Malguzar, Money-lender and the Mahajan	...2024—2038
Repayment in kind, liens on crops	...2039—2043

PARAS.

Loans on the security of future crops ...2044—2045
Grain loans ...2046—2049
Surcharges which a borrower has to pay ... 2050
Loans on cotton seed ...2051—2053
Seed Unions ... 2054
Adatyas Finance ... 2056-2057
II.—Interest ...2058—2078
Interest usually higher for un-secured loans ... 2059
But personal credit is also a factor ... 2060
The risk is the determining factor ... 2062
In any case the limit of credit is lower if the cultivator has no right of transfer. 2063
Interest on small loans is usually higher than on big sums. 2064
The law of supply and demand also affects the rate of interest. 2067—2069
The rate of interest is not affected by the purpose of loan. 2070
Penal Interest ... 2071
Other charges ...2072—2078
III.—Prejudice against the money-lender ...2079—2081
Tuch punjyas ...2082—2087
IV.—Establishment ... 2088
V.—Licensing ...2089—2110
Need for licensing money-lenders ...2104—2106
Fixation of the maximum rate of interest ... 2107
Extension of the rule of Damdupat, not profitable. 2108—2110

PART VI.

CHAPTER XV.—MISCELLANEOUS.

Banking Law ... 2111
I.—Restriction on the use of the term Bank ...2112—2114
Banking Law ... 2115-2116
Need for Sound Banking Education ... 2117-2118
Need for legislation to protect general public. 2119
Provisions necessary for
Adequate reserve
Publication of accounts
Periodical Government inspection } 2120—2130
Restrictions on investment
Building of reserve fund
Special penalty for spreading false rumours
Use of vernacular ... 2131-2132
II.—Banking and Commercial Education ... 2133
Need for introduction of Banking Education in School curricula. 2134-2135
Lack of trained bankers ...2136—2138

	PARAS.
Advent of the British ...	1876
Freedom of contract ...	1877
Legislation to control evils resulting from freedom of Contract.	1880
Taverniar ...	1881
Jenkins ...	1882
Bullion trade ...	1883
Banker also a trader	...1909—1904
Rate of Interest	...1905—1907
Terms of taccavi advances and grain loans by Patels.	1908—1910
III.—Method of business of indigenous banker	.. 1911—1928
Chitnavis family	...1913—1916
Ghatate family ...	1917
Firm of Rai Bahadur Bansilal Abirchand ...	1918
Methods of business	...1919—1928
IV.—Capital, Deposits and Reserves	...1929—1937
Capital ...	1929
Deposits :	. .1931—1934
Reserve ...	1935
V.—Lines and terms of advances	...1938—1954
Grain lending ...	1939
Rates of interest	...1940—1942
Small overhead charges ...	1943
Low paid munims ...	1946
Bad debts ...	1947
Evil results of high rate of interest ...	1950
Remedy	...1951—1954
VI.—Establishment	...1955—1961
Marwari Banker's Establishment ...	1960
VII.—Clients	...1962—1972
Hundis	...1973—1977
Hundis and the Modern Bill of exchange ...	1978
Forms of Hundis ...	1979
VIII.—Recommendations	...1980—2010
Licensing, publicity of accounts and attitude towards Government control.	1980—2010
Difficulty of linking of the Indigenous bankers with general banking system.	1993
Reduction of stamp duty ...	1995
Future of indigenous banking	...1996—2000
Formation of Private Banking Companies	...2001 2006
Government help necessary	...2007—2010

CHAPTER XIV.—OTHER INDIGENOUS CREDIT AGENCIES.

I.—Descriptive	...2011—2057
Money-lending in Urban areas	...2014—2016
Rural money-lending	...2017—2023
Difference between the Malguzar, Money-lender and the Mahajan	...2024—2038
Repayment in kind, liens on crops	...2039—2043

PARAS.

Loans on the security of future crops ...2044—2045
Grain loans ...2046—2049
Surcharges which a borrower has to pay ... 2050
Loans on cotton seed ...2051—2053
Seed Unions ... 2054
Adatyas Finance ... 2056-2057
II.—Interest ...2058—2078
Interest usually higher for un-secured loans ... 2059
But personal credit is also a factor ... 2060
The risk is the determining factor ... 2062
In any case the limit of credit is lower if the cultivator has no right of transfer. 2063
Interest on small loans is usually higher than on big sums. 2064
The law of supply and demand also affects the rate of interest. 2067—2069
The rate of interest is not affected by the purpose of loan. 2070
Penal Interest ... 2071
Other charges ...2072—2078
III.—Prejudice against the money-lender ...2079—2081
Tuch punjyas ...2082—2087
IV.—Establishment ... 2088
V.—Licensing ...2089—2110
Need for licensing money-lenders ...2104—2106
Fixation of the maximum rate of interest ... 2107
Extension of the rule of Damdupat, not profitable. 2108—2110

PART VI.

CHAPTER XV.—MISCELLANEOUS.

Banking Law ... 2111
I.—Restriction on the use of the term Bank ...2112—2114
Banking Law ... 2115-2116
Need for Sound Banking Education ... 2117-2118
Need for legislation to protect general public. 2119
Provisions necessary for
Adequate reserve
Publication of accounts
Periodical Government inspection } 2120—2130
Restrictions on investment
Building of reserve fund
Special penalty for spreading false rumours
Use of vernacular ... 2131-2132
II.—Banking and Commercial Education ... 2133
Need for introduction of Banking Education in School curricula. 2134-2135
Lack of trained bankers ...2136—2138

PARAS.

III.—Economic Development Board ...2139 -2143
Need for Rural Reconstruction ... 2144
The gulf between rural area and the town ... 2145
The Rustic ... 2146
Babusaheb ... 2149
The World's Greatest Fatalist ... 2151-2152
Causes of slow progress in the past ...2157—2159
Need for intensive action ...2160—2166
Economic Development Board in every district. 2169
Provincial Economic Development Board ... 2170
Powers and duties of Chief Executive Officer of District Development Board. 2171
Central Development Board ... 2172

IV.—Rural Re-construction ; scheme outlined—
(*a*) Concentration on selected village at convenient distances. 2174—2175
(*b*) Village Panchayats ...2176—2182
Model village ... 2182
Amendment of Village Panchayal Act necessary 2184-2185
Medel Co-operative Societies ...2186—2188
Provincial Economic Development Board ...2189—2194

PART VII.

CHAPTER XVI.

Investment habit ...2195—2309

I.—Need for investment ... 2195

II.—Agencies for investment ...2196—2213
(*a*) Indigenous money-lender ...2196—2200
(*b*) Post Office Savings Bank ...2201—2203
(*c*) Co-operative Credit Banks ...2204—2208
(*d*) Joint Stock Banks ...2209—2213

III.—Classes of population resorting to various institutions. 2214—2215
Rates of interest allowed by various agencies ...2216—2218
Investment facilities adequate in Urban areas... 2219
Set back to investment habit due to some bank failures. 2222—2227

IV.—Proposals for stimulating investments ...2228—2289
Method of dealing with surplus capital in the country side. 2228—2231
Origin of Hoarding . 2232
Value of the cattle owned ... 2242
Losses to individuals and the community by investment in gold and silver, instead of in Savings Banks. 2244—2249
Purchase of land, a form of investment ...2250—2252
Development of investment habit an urgent need. 2253—2256

PARAS.

Method of developing investment habit in rural areas. 2257—2289

(*a*) Postal facilities to be increased and funds collected should be used to finance the rural population. 2258

(*b*) Co-operative Societies should concentrate on thrift and investment habit. 2259

(*c*) Provincial Land Mortgage Bank Saving Cash Certificates. 2262

(*d*) Development Department to help ... 2272

(*e*) Curricula of Vernacular Education to be suitably amended. 2275

(*f*) Boy Scout Movement to help in thrift campaign. 2276

(*g*) Deposit branches should also be opened at Post Offices. 2277

(*h*) Agencies for sale of cash certificates ... 2278

(*i*) Restrictions on amount of post office savings to be removed. 2279—2283

Competition of Government with Joint Stock Banks. 2284—2289

J.—Existing facilities for purchase and sale of Government securities. 2290—2293

I.—Investment Trusts, Gold Cash Certificates, etc. 2294—2299

Investment Trust ... 2294

Gold Cash Certificates ... 2296

Provincial Saving Association ... 2297

Postal Insurance ... 2299

I.—Life Insurance ... 2300

I.—Growth of Banking Habit ... 2302-2309

Growth of cheque habit ... 2304

Possible methods of stimulating cheque habit... 2306—2308

The use of the Postal Department ... 2309

PART VIII.

CHAPTER XVII.—CONCLUSIONS AND SUMMARY OF RECOMMENDATIONS.

Summary of recommendations ... 2310

Acknowledgments ... 2311—2313

PAGES.

Index ... 419—429

Glossary ... 430—433

Banking Enquiry Committee Central Provinces and Berar

REPORT

PART I.

CHAPTER I.—INTRODUCTORY.

I

Appointment of the Committee.—The following gentlemen were appointed by Government of India, Finance Department, Press *Communiqué*, dated August 9th, 1929, which is reproduced as Appendix A, to be the Central Provinces Banking Enquiry Committee:—

(1) Mr. J. G. Bourne, I.C.S.—*Chairman.*
(2) Mr. R. N. Banerjee, I.C.S., Registrar of Co-operative Societies and Director of Industries—*Vice-Chairman.*
(3) The Hon'ble Rao Bahadur D. Laxminarayan, Member of the Council of State, Representative of Industries.
(4) Rao Bahadur K. V. Brahma, C.I.E., M.B.E., Co-operative Expert.
(5) Mr. A. C. Sen Gupta, I.E.S., Professor of Economics, Morris College, Economic Expert.
(6) Mr. P. D. Pundlik, M.L.C., Landholder, Jalgaon, Buldana, Berar.
(7) Rao Bahadur Madhorao Deshpande, Chairman of the Provincial Co-operative Bank, and landowner, Nagpur.
(8) Seth Jamnadas, M.L.A., Banker and landlord.
Mr. N. R. Chandorkar, Extra-Assistant Commissioner—*Secretary.*

2. The fact that the Chairman continued to perform the duties of Deputy Commissioner, Seoni, in addition until October 7th, 1929, when relieved of this latter charge, undoubtedly much hampered the work of the Committee in the beginning.

3. On December 5th, 1929, Seth Jamnadas was compelled to resign owing to ill-health, and Seth Narsinghdas Daga, son of late Sir Kasturchand Daga, K.C.I.E., and partner of the great indigenous banking firm of Dewan Bahadur Bansilal Abirchand, was appointed in his place, under Government of India, Finance Department, Press *Communiqué*, dated January 4th, 1930, which is printed as Appendix A-I.

4. The Committee held its first meeting in Nagpur on August 12th and proceeded to revise and pass for publication its questionnaire. Copies of the questionnaire in English, Hindi and Marathi were distributed, both direct and through all district officers, to all persons likely to be interested in the subject throughout the Central Provinces and Berar. A copy of the questionnaire is printed as Appendix B.

5. Terms of reference.—The terms of reference to the Committee are contained in the Hon'ble Mr. Burdon's (Secretary to the Finance Department, Government of India) letter No. F-2(III)-F-29, dated April 3rd, 1929, a copy of which is printed as Appendix C.

II

6. Procedure of work.—The Central Provinces and Berar is mainly an agricultural province with few important towns. The following eight towns in the Central Provinces and three towns in Berar are the only ones with a population exceeding 20,000 :—

Central Provinces.

Name of town.	Population.
Nagpur	145,193
Jubbulpore	108,793
Raipur	38,341
Saugor	39,139
Burhanpur	35,916
Khandwa	25,802
Chanda	22,981
Kamptee	20,226

Berar.

Amraoti	40,694
Akola	37,854
Ellichpur	23,899

7. It appeared at once to the Committee to be essential to obtain a reasonably accurate estimate of agricultural indebtedness. For, until the malady was accurately diagnosed, it appeared to be paradoxical to attempt to prescribe a cure: nor in our opinion would a mere statement of the amount of general or individual agricultural indebtedness have served any purpose without a simultaneous consideration of the profit and loss account and of the credit side of the balance sheet.

8. A mere statement of the extent of the liabilities of the Bank of England would not shake public confidence in the soundness of its financial position. For it is well known that its liabilities are well covered by its assets, that its fluid resources are ample and that its funds are sagaciously applied to productive uses.

9. In fact the financial position of an industry or an individual can be determined only by an examination not only of financial liabilities but also of the relation which those liabilities bear to assets, of paying capacity and of the purposes for which those liabilities were incurred.

10. We have read with much interest Mr. Darling's book on the "Punjab Peasant in Prosperity and Debt": but we feel that, quite apart from the question of the reliability of the basis of estimation of the extent of agricultural debt, the value of this work has been diminished by the fact that its scope was confined primarily to a consideration of the amount of debt and was not extended to include a detailed examination of the assets and paying capacity of the debtors.

11. We decided, therefore, to include also, in our survey, an examination of agricultural assets, of profit and loss, of paying capacity, and of the purposes for which liabilities had been incurred.

12. A number of interesting books on the question of agricultural indebtedness in India have been written from time to time, and to many of these we have referred in the course of our enquiries.

13. We believe, however, that up to now no attempt has been made to carry out a general economic survey of a large area, nor to draw up even a rough balance sheet of agricultural assets and liabilities.

14. At the Calcutta Conference on the 5th January 1930, the Bengal Provincial Banking Enquiry Committee laid stress on the difficulties attendant on a census of agricultural indebtedness. The Chairman discussed the relative advantages of what he described as Darling's method and the Sampling method. Mr. Darling's calculations were based on the estimates made by co-operative officials of the indebtedness of members of co-operative credit societies, it being assumed that the average debt per member of the co-operative credit society represented a fair all round average of individual agricultural indebtedness. The Bengal Provincial Banking Enquiry Committee pointed out that this method could not produce reliable results, as experience showed that, while most of the substantial men of good personal credit did not join the co-operative credit societies, the average individual indebtedness per member of a co-operative society was much heavier than the all round agricultural average. This statement is painfully correct, as regards the Central Provinces and Berar, as is explained in Chapter XI and the District Notes.

15. Our Sampling method.—The method introduced by us is a species of sampling based on the general procedure for the estimation of agricultural indebtedness at settlement laid down in the Central Provinces Settlement Instructions, which procedure was implemented with great care and detail in the recent re-settlement of the Narsinghpur district by our present Chairman who was then Settlement Officer. At re-settlement in the Central Provinces, the attesting Inspector is required, under the Settlement Instructions, to compile, in the *jardmazarian* for the village attested by him, a detailed statement of debts and assets of each individual. The individual entries are then checked on the spot by enquiries from the villagers themselves by the Assistant Settlement Officer in charge of the attestation and again by the Settlement Officer, when they visit the village.

16. This method has been found, by experience, to produce reasonably accurate results, although Settlement Officers frequently refer, in their reports, to a tendency to exaggerate indebtedness in the hope of obtaining greater leniency in assessment. Under the rules, the Settlement Officer, at the time of fixing rents, is required to have regard to the financial position of the individual concerned as exhibited in the *jardmazarian*.

Being, therefore, an ordinary incident of settlement, the enquiries into indebtedness carried out by us gave rise to no special disquietude in the rural areas of the Central Provinces.

17. On the other hand, we ourselves were not prepared to accept unchecked the wholesale reports of patwaris, and decided that as it would be impossible for us, in the short time at our disposal, to secure a reliable check in every village in the province, greater accuracy would be obtained by, and greater reliance could be placed on, careful enquiries verified by responsible persons in smaller areas.

18. It is true that, in the Seoni district, where our Chairman as Deputy Commissioner was able to secure a detailed verification by responsible persons, and in another plateau district, Betul, where all Government officials evinced a special interest in our enquiries, we were able to collect and verify the details of indebtedness required by us for every cultivator of the district. In the three districts of Chhattisgarh—Raipur, Drug and Bilaspur, and in the Mandla district of the Jubbulpore Division, where settlement operations are now in progress, an examination and compilation of the individual debts of every cultivator is one of the prescribed duties of the Settlement Officer at re-settlement as is explained above. It would not have been possible for us to have applied in these districts the method of sampling used elsewhere, without seriously interfering with the duties of the land records staff who are, at present, very busy in settlement operations, nor would any purpose have been served thereby when the Settlement Department themselves were making a detailed enquiry in every village. For these districts, therefore, we have made use of the figures supplied by the Settlement Officers as regards general indebtedness: but at the same time, have made detailed intensive surveys of typical villages in each tahsil of those districts as has been done elsewhere throughout the province. The indebtedness in Chhattisgarh and the backward district of Mandla has always been relatively slight: but our intensive village surveys have enabled us personally to gauge the real economics of the situation and the local credit conditions of these four districts as elsewhere.

19. Each district in the Central Provinces is divided up into tahsils, containing some 600 villages. These are again divided into Revenue Inspector's circles, which are split up into patwaris' circles of some six or seven villages. In the remaining 12 districts of the Central Provinces, we have, therefore, confined our enquiries to one or more patwaris' circles in each Revenue Inspector's circle of each district.

20. In Berar, where an entirely different land revenue system prevails and where an enquiry into individual indebtedness does not, at present, form one of the processes of re-settlement, we have, for certain reasons, preferred to concentrate our enquiries into individual indebtedness on one whole Revenue Inspector's circle in each taluq, as is explained hereafter.

21. Excluding the four districts in which settlement operations are in progress, we have, therefore, in this manner, out

of a total number of 30,318 villages, brought under examination the individual indebtedness of all cultivators in 5,558 villages, or of 194,382 cultivators in all.

22. A glance at the map, which prefaces this report, will show that these enquiries have been made in every part of every district. For the purpose of these enquiries, special forms—Forms B and C—were prepared by us and printed and supplied to district officers. Samples of these forms are given in Appendix D.

23. The figures of indebtedness were first collected by patwaris under the personal supervision of the Revenue Inspector of the circle concerned. These were then carefully checked by Tahsildars and Extra-Assistant Commissioners in charge of sub-divisions, while in some districts the Deputy Commissioners themselves very kindly assisted in this enquiry.

24. In due course, the members of our Committee on their tours proceeded to check these returns themselves by enquiries from the villagers in person. We are satisfied that these returns are as accurate as possible, though a slight tendency to exaggerate indebtedness came to our notice in some cases. In Form B, the details regarding the indebtedness of every individual have been recorded, showing the amount of secured and unsecured debt, the rate of interest, the sources from which the debt was borrowed and the purposes to which it was applied. These details have then been compiled in Form C showing—

(1) the total secured and unsecured debt upon each class of cultivator (*i.e.*, landlord, absolute-occupancy tenant, occupancy tenant, etc.) in the village, and the predominant rate of interest for each class;

(2) the total number of, and the areas held by, and the rent or revenue paid by, all the persons of each class in each village both indebted and unindebted;

(3) the total number of, and the area held by, and rent or revenue paid by, the indebted persons of each class in each village;

(4) the total amount borrowed from each of the following four sources:—
Government,
co-operative credit banks,
landlords, and
mahajans;

(5) the total amount of debt borrowed for each of the following main purposes:—
(*a*) old debts or debts incurred for repayment of earlier debts,
(*b*) marriage and other social occasions,
(*c*) maintenance expenses, including the results of scarcity and distress,
(*d*) arrears of, or loans incurred for payment of, land revenue and rent,
(*e*) cultivating expenses, including seed and manure, bullocks and wages of labour,

(*f*) improved agricultural implements,
(*g*) sinking of wells and agricultural improvements,
(*h*) purchase of land or bringing into cultivation fallow lands,
(*i*) litigation,
(*j*) trade;

(6) the incidence of debt per head of indebted tenants in each class, and the all round incidence of debt per head.

25. We have then calculated for each area separately surveyed and for the total area surveyed by us for each district—

(1) the percentage of indebted persons of each class;
(2) the amount of debt owed per acre of land held, and per rupee of rent or revenue paid, by each class of cultivator;
(3) the percentage of the total debt borrowed from each of the four main sources;
(4) the percentage of the total debt applied to each of the main purposes, and
(5) the all round incidence of debt per head, and per indebted person.

26. In Berar, as distinguished from the Central Provinces, each transfer or encumbrance by mortgage of land is entered after enquiry, in the record of right which is separately maintained for each village. In Berar, therefore, in addition, we have compiled the total amount of capital mortgage debt outstanding in each village.

We have checked the results obtained by various other processes, which are discussed in a note which we have written on each separate district. The working of this system in actual practice will become clear from a perusal of the individual district notes. The results are discussed in further detail in Chapter IV, which deals with agricultural indebtedness.

27. Intensive survey.—At the same time we decided to make in person an intensive economic survey of at least one village in each tahsil of every district in the province. Before we proceeded to do so, certain information under 40 heads in a special Form A prepared by us for the purpose was collected by the courtesy of district officers for each individual in each village to be surveyed. These forms were first carefully checked by Tahsildars, Sub-Divisional Officers and in many cases by the Deputy Commissioners themselves. They were then carefully checked in the village by the members of the Committee, who proceeded to carry out a detailed survey of all those aspects of the economic life of the people relevant to our purpose. We recorded individual statements of numerous cultivators in each village. We examined the estimates of each individual's costs of cultivation, gross outturn and costs of maintenance and clothing, etc., etc. We drew up a number of family budgets, enquired into the normal costs of cultivation and gross profits of the principal crops, the local prices of land, the causes of individual indebtedness having special regard to those persons who were heavily involved in debt, the local marketing

facilities and practices, the local sources and methods of finance and rates of interest, the relations between the villagers and their local financiers, the existing defects and requirements in the local economic system. In these intensive economic enquiries, we have examined in detail the economic position of 7,581 cultivators. A detailed note embodying the results of our enquiries in each village has been drawn up with a general note on the finances of each district as a whole, and have been printed in separate volumes as Appendices to this report.

28. **Considerations determining our programme, and the appointment of an industrial sub-committee.**—Our programme of work was largely determined by the following considerations:—

(*a*) Much time would of necessity be required for compiling and checking and preparing for the press the statistics collected at our intensive enquiries.

(*b*) The information to be collected at these enquiries would be of great value to us when orally examining witnesses on our general questionnaire.

After discussion of all aspects of the case, we therefore decided to complete our village enquiries and surveys before commencing the oral examination of those gentlemen who sent answers in writing to our questionnaire. At the same time for the survey of certain subsidiary industries we appointed a sub-committee consisting of our Vice-Chairman, Mr. R. N. Banerjee, I.C.S., Registrar of Co-operative Societies, Rao Bahadur K. V. Brahma, C.I.E., M.B.E., and Mr. P. D. Pundlik, M.L.C. These gentlemen completed their enquiries early in November when they rejoined the Committee in the work of village surveys.

III

29. **Itinerary.**—Our enquiries commenced in the Seoni district where we met on August 16th and proceeded to inaugurate intensive surveys in four villages. We returned to those surveys on the 10th September. The experience gained therein enabled us to prepare Forms A, B and C, with detailed instructions for use in all the remaining districts of the province.

30. **Preliminary meetings and discussions.**—Meanwhile, the Chairman, with some of our members, proceeded through the plateau districts of Chhindwara and Betul to Hoshangabad at the end of August to lay the foundations of our surveys. At Hoshangabad the Committee were able to consult the Commissioner of the division, Mr. F. C. Turner, C.I.E., I.C.S., whose advice with regard to the lines of our enquiry based on the ripe experience of some 34 years' service was of great assistance to us.

31. Here also we held a public meeting on the 3rd September, 1929, and interviewed the leading persons, sowkars and co-operative workers.

32. From here we proceeded to Amraoti, the divisional headquarters and capital of Berar. Here also the leading gentry were interviewed and a public meeting held on the 6th September, 1929.

33. With the valuable advice and active assistance of Mr. B. N. De, I.C.S., the Commissioner, we were also enabled at the same time to determine the lines of enquiry to be followed in Berar. In Berar, where a different system of land tenure and revenue law obtains, each district is divided into taluqs of some 300 villages. The taluq is again divided up into Revenue Inspectors' circles and patwari circles; but here the Revenue Inspectors' circles are smaller and relatively more numerous than in the Central Provinces.

34. In Berar an enquiry into agricultural indebtedness similar to that in the Central Provinces was inaugurated at our visit to Amraoti on the 4th September, 1929, including a compilation for all villages of the mortgage money of all mortgages still outstanding. Intensive surveys in one village in each taluq were also carried out by us in due course.

35. On the 10th September, the remaining members of the Committee met in Seoni and proceeded to complete the detailed economic survey of four villages.

36. Early in October, our Chairman was relieved of his duties as Deputy Commissioner, Seoni, and as soon as the necessary statistics in Form A had been collected, we proceeded to make similar village surveys in each tahsil of the Nagpur district. Before Diwali, we had completed our surveys of villages in the Balaghat and Bhandara districts of the Nagpur Division and in the adjoining Betul district.

37. Immediately after Diwali, the Committee visited Raipur, the headquarters of the Chhattisgarh Division, and commenced intensive village enquiries in Raipur, Drug and Bilaspur, the three districts of that division. These enquiries were completed at our subsequent visit at the end of February.

38. The second half of November was devoted to village enquiries in the Jubbulpore, Saugor, Damoh and Mandla districts of the Jubbulpore Division. At these places also the leading sowkars, gentry and co-operative credit workers were interviewed. These interviews are printed in Appendix F.

39. At the beginning of December, intensive village surveys in Chanda of the Nagpur Division were carried out. The rest of the month was devoted to intensive surveys in Berar and enquiries into the working of the cotton markets, etc., at the main trade centres (Appendix F).

40. At all important places, the leading representatives of the people, the sowkars and co-operative credit workers were interviewed, and very interesting meetings were held at Khamgaon, Akola, Amraoti, Yeotmal and Wun (Appendix F).

41. Before returning to Nagpur, at Christmas the Committee completed intensive surveys in Wardha of the Nagpur Division.

42. On the 3rd January, the Chairman and Secretary attended and All-India Conference of Chairmen and Secretaries at Calcutta, at which Sir Purshottamdas Thakurdas presided.

43. Difficulties were discussed, and the interchange of ideas of the various Provincial Committees was found most helpful.

44. On their return the Committee proceeded on the 10th January to intensive village surveys in the Chhindwara district. From there, they proceeded to Narsinghpur where the economic survey of four villages was carried out. The Committee also attended the great religious fair at Burmanghat on the 14th and 15th January and held a meeting at which many thousands of cultivators and others attended. Many persons were interviewed there and much interesting information collected. The Committee then proceeded through the Hoshangabad district, where four villages' surveys were made, and then completed three villages' surveys in the Nimar district.

IV

45. Work done.—By the 24th January, every tahsil in the province had been visited and intensive economic surveys in 87 villages carried out. The Committee then proceeded to commence the recording of formal evidence on the 28th January at Amraoti.

46. The work completed up to the 24th January can be better appreciated by reference to the attached map. The villages in which intensive economic surveys were carried out by the Committee personally are marked in red. The areas, for which detailed enquiries with regard to agricultural indebtedness were made and the results recorded in Forms B and C, are marked in green.

47. It will be seen that the Committee visited every part of the Central Provinces and Berar. It is a far cry from Shahgarh, in the Saugor district on the border of Bundelkhand, to Sironcha, at the junction of the Godavari and Pranhita rivers on the borders of Madras. From Burhanpur, the ancient capital of the Viceroys of the Deccan to Champa, bordering on Bihar and Orissa, is a distance of some 700 miles. The variations in climate and systems of agriculture in the various parts of the Central Provinces and Berar may fairly be said to be extreme: but in every typical tract intensive economic surveys were carried out by members of the Committee.

48. How the intensive surveys were made.—In the beginning all members of the Committee worked together at these surveys, but as soon as we had obtained sufficient experience to make it possible for us to work separately without loss of uniformity of method, we divided up into two parties under the general supervision of the Chairman. The constitution of these parties was changed according to convenience from day to day. One party would visit a village and spend at least one whole day in enquiry. In the beginning at Seoni, we allotted several days to each village: but later on, when the lines of enquiry became more or less standardized by practice, we found that one party could check and correct the material collected for us in Forms A, B and C, and complete their enquiry into the subjects upon

which information was required by us in one day. This rapidity of despatch, to which thoroughness was never sacrificed, was made possible by the distribution of various items of enquiry between the members of the party, *e.g.*, one member would check the entries in the forms prepared for us by the Land Record staff, while others made enquiries into the costs of cultivation, the ranges of outturns, land values, family budgets, etc., etc.

49. Although we considered it to be obligatory upon us to complete these enquiries ourselves, and did not consider it either proper or within the scope of our authority to delegate the important work of village economic survey to other agencies, either honorary or official, we invited and received assistance from many sources. We were usually accompanied in our enquiries by some of the leading gentry of the district which we were visiting, and often received much valuable help. We are particularly indebted to Messrs. K. P. Pande, M.L.C., D. K. Mehta, M.L.C., Umeshdutt Pathak, M.L.C., Mr. N. Y. Deotale,, M.L.C., Mr. M. P. Kolhe, M.L.C., Naik D. Y. Rajurkar, M.L.C., and Mr. Dighe, M.L.C., who were among the members of the Legislative Council, who kindly assisted us in our village enquiries. At each district headquarters and at many other towns we held meetings and interviewed the leading people. We are under great obligation to Sir Moropant Joshi, K.C.I.E., the Hon'ble Sir Shankarrao Chitnavis, K.C.I.E., ex-Minister and President of the Council, Sir Bissessardas Daga, K.C.I.E., the Hon'ble Mr. G. S. Khaparde, Member of the Council of State, Mr. M. S. Aney, M.L.A., Mr. B. G. Khaparde, B.A., LL.B., M.L.C., Deputy President of the Council, Mr. B. N. Biani, M.L.C., Mr. Uttamrao Patil, M.L.C., Mr. Namdeo Rao Patil, M.L.C., Mr. Choudhary Doulat Singh, M.L.C., Mr. Shamsundar Bhargava, M.L.C., Rai Sahib Dadu Dwarkanath Singh, M.L.C., Mr. Thakurdas Goverdhandas, M.L.C., Seth Sheodas Daga, M.L.C., Seth Balkishan Nathani, Mr. Kane, Rai Bahadur V. M. Kelkar, Rao Sahib S. D. Deshpande, and many others for valuable advice and suggestions received. A number of these gentlemen were also kind enough to send written replies to our questionnaire and to appear before us as witnesses.

50. We are also under a great debt of gratitude to many Deputy Commissioners and Settlement Officers who paved the way for our enquiries in the collection of statistics.

51. Recording of evidence.—From the 28th January to the 1st February at Amraoti, and from the 3rd February to the 8th February at Akola, we examined 39 witnesses from Berar and the adjoining district of Nimar.

52. From the 10th to the 16th of February we were engaged in recording evidence at Nagpur and from the 20th to the 25th at Raipur.

53. The budget session of the Council then intervened at which the presence of some of our members was required. On the 18th March, however, we proceeded to Jubbulpore and between that date and the 24th recorded evidence from the Jubulpore and Nerbudda Divisions.

54. The classified list of witnesses is printed at Appendix K.

55. We recorded, during these formal proceedings, the oral evidence of 92 witnesses in all, including a number of gentlemen who had not found time to send written replies to the questionnaire, but whose opinions we considered to be of importance.

56. By the 27th June 1930 the draft of this present report had been completed and passed by us for the press. Some further time, however, was required for printing and correction of proofs and the work of the office of the Committee did not finally close down until end of July 1930.

V

57. Cost of enquiry.—To end of July 1930—

		Rs.
1929	...	35,928
1930	...	54,321
Total	...	90,249

VI

58. Difficulties.—We have felt some hesitation, through a natural sense of modesty, in complying with the instructions to describe in our report the difficulties with which we have had to contend. For, after all, difficulties are made only to be surmounted, and we have felt some apprehension that possibly in stressing our difficulties, we may appear to be desirous of exaggerating our achievements—

(*a*) One of our main difficulties arose from the very short time allowed us for completing an investigation with so many ramifications over so wide an area. We have, however, endeavoured to make the best use of the time at our disposal.

(*b*) The attitude of the community of indigenous financiers as a whole was also a serious impediment. Winged rumour in our province, as elsewhere, outstripped us from the commencement. The money-lending community prejudged the case at once, and we were seriously informed that the main objects of the committee were—

(i) to find out the business secrets of indigenous financiers for the benefit of the Imperial Bank;

(ii) to bring the sowkars under the close control of Government, so as to deprive the political left wing of any potential sources of finance.

As our enquiry proceeded we fortunately succeeded by peaceful penetration in overcoming much of this prejudice.

(*c*) In our economic survey the difficulties were manifold. The average cultivator, although he can give a fair estimate of the amount of food-grain consumed by him and his family in the week or month, is often very vague with regard to his actual daily expenditure and his average total expenditure in the year on maintenance and clothing. The estimates of the costs

of cultivation also vary enormously. One small cultivator with his family may cultivate his holding without hiring outside labour. He may expend some Rs. 7 or Rs. 8 only over operations which may cost another Rs. 15 or Rs. 20 according to the amount of hired labour employed and the amount of supervision. Nor does the average villager keep any accounts from which to refresh his memory. In our village enquiries, for instance, we found persons who spent no more than Rs. 6 or Rs. 7 per acre on cotton cultivation, while we found others who spent as much as Rs. 25 per acre, according to the quality of the soil, the methods of cultivation and the kind of labour employed. Throughout, we were confronted by a perhaps natural tendency to exaggeration, whether in a statement of debt or of expenses, while the cultivators' estimates of crop outturn were unfortunately sometimes obscured by the fact that in some parts of the province there has been a succession of poor years.

59. Our greatest difficulties, however, were in arriving at a fair estimation of average crop outturns and values over a term of years. The insecurity and uncertainty of agriculture in a country dependent upon the caprices of the monsoon in fact dominate all branches of rural life and rural economy. This aspect of the problem is discussed hereafter. But when crops vary from year to year according to the character of the monsoon, when in the same year the outturn varies from field to field according to the quality of the soil, the industry and efficiency of the individual cultivator, and the methods of agriculture adopted, it becomes a matter of the greatest difficulty to arrive at a figure which will accurately represent the average outturn of a particular crop over a large area during a cycle of varying years. The same difficulties arise in forming a general estimate of land values.

60. We have, however, examined many hundreds of cultivators in the course of our enquiries before recording our final conclusions in the separate district and village notes, which are attached in Appendices J. and E, respectively. We have also attached, where it seemed desirable, a number of statements of cultivators recorded by us in all parts of the province though it would not have been possible to print all the material collected without running into many bulky volumes.

61. We have done our best to present an accurate picture of the rural economy of these provinces and believe that we have to that extent largely surmounted the difficulties which confronted us.

62. As regards the joint stock banks and indigenous bankers, it was perhaps not to be expected that they would divulge the details of their business. But the unwillingness of the local agents of the joint stock bank to do so or to assist us by any evidence on the subject has made it impossible for us in our turn to give a detailed account of the operations of these institutions

CHAPTER II.—GENERAL ECONOMIC SURVEY.

I

DESCRIPTIVE.

63. The area administered by the Government of the Central Provinces, excluding the Feudatory States, consists of two entities, the Central Provinces and Berar .

64. Central Provinces.—The Central Provinces were formed in the sixties by the amalgamation of the old Saugor-Nerbudda territories, which had been under British rule since 1813, with the more recently acquired Nagpur territories.

The Central Provinces proper are divided into four divisions and 18 districts as follows :—

	Area in square miles.	Population.
NAGPUR DIVISION—	22,760	3,146,228
Nagpur	3,834	792,521
Chanda	9,312	660,630
Wardha	2,434	463,696
Balaghat	3,557	511,634
Bhandara	3,623	717,747
JUBBULPORE DIVISION—	18,965	2,296,508
Jubbulpore	3,912	745,685
Saugor	3,962	528,380
Damoh	2,818	287,126
Mandla	5,057	386,446
Seoni	3,216	348,871
NERBUDDA DIVISION—	18,334	2,013,021
Hoshangabad ...	3,681	445,733
Nimar	4,227	396,554
Betul	3,872	363,737
Chhindwara ...	4,578	491,835
Narsinghpur ...	1,976	315,162
CHHATTISGARH DIVISION—	22,050	2,381,637
Raipur	9,787	1,406,676
Bilaspur	7,618	1,231,765
Drug	4,645	743,246

65. Berar.—Up to 1903, Berar which was known as the Hyderabad Assigned districts of Berar, was administered by a Commissioner under the orders of the Resident of Hyderabad.

66. As is well known, Berar was, in 1903, transferred to the Central Provinces for administrative purposes. It is now administered as a separate division and contains four districts :—

	Area in square miles.	Population.
BERAR DIVISION—	17,767	3,075,316
Akola	4,110	798,544
Amraoti	4,704	828,384
Yeotmal	5,219	748,959
Buldana	3,735	699,429

67. There are 61 tahsils in the Central Provinces and 22 taluqs in Berar.

68. Population.—The total population of the British districts of the Central Provinces and Berar was returned at the last census as 13,912,760 persons. Of these, 9 per cent were returned as residing in urban areas and 91 per cent in rural areas.

69. We have separately compiled the vital statistics of births and deaths in each district since the last census. These figures indicate that the total population has now increased to 15,186,693 or by 9.5 per cent.

70. Throughout this report the figures of population given are based on the vital statistics since last census, and represent the estimated population at present.

71. Urban areas.—There are two cities, Nagpur and Jubbulpore, with a population of over one lakh, Nagpur with a population of 145,193 and Jubbulpore with a population of 108,793. There is no other town with a population exceeding 50 thousand. There are 10 towns with a population between 20 and 50 thousand, 27 with a population between 10 and 20 thousand, and 61 with a population between 5 and 10 thousand, giving a total of 100 towns with a population above 5 thousand, 61 of which have a population under 10 thousand.

72. It will be seen that numerically the urban population in the Central Provinces is relatively unimportant.

73. Rural areas.—The unit of rural life is the village.

74. In the larger zamindaris 23,064 square miles are set aside as forest, while there are also 19,641 square miles of reserved Government forest in the province.

75. But excluding these and the small areas included in the two cities and 100 towns, the whole of the rest of the Central Provinces and Berar is divided up into village areas.

76. Practically all dwellers in rural areas depend for their maintenance directly or indirectly upon agriculture. But not all of them are actual cultivators; nor do all hold rights in land. At the last census, the 91 per cent of the population residing in the rural areas was made up as follows:—

	Per cent.
Belonging to the landlord and rent-paying cultivating classes.	47
Belonging to the farm servant and agricultural labourer classes.	27
Belonging to the classes engaged in other professions connected with rural life.	14
Total ...	91

77. It is desirable, before proceeding to further discussion of rural economy, to explain the nature of the rights of the landlord and cultivator classes: and so to land tenures.

II

Land tenures.

78. Land tenures (Berar).—The most common tenure all over Berar is the ryotwari tenure similar to that prevailing in the Bombay Presidency adjoining. In the Yeotmal district, however, izara tenure, which is almost unknown in the rest of Berar, is also common. Besides these, there are a certain number of jagir, palampat and inam villages and a number of isolated inam fields. The number of villages held under each kind of tenure is:—

Khalsa	...	...	...	6,108
Jagir	...	...	...	180
Izara	...	...	...	380
Palampat	...	...	...	16

79. Khalsa tenure.—7,255,476 acres in Berar and 94,725 acres in the Melghat.

80. Under the ryotwari system, as established in Berar at the original settlement and as laid down in the Land Revenue Code, each field forms a separate holding for which the occupier engages separately with Government. The holder of a field or "survey number" is called the occupant or khatedar, and he holds on condition of paying the assessment and other dues. He may dispose of his rights by lease, mortgage or sale. He may also sublet his holding by private arrangement. Co-sharers and co-occupants possess interests similar to those of the occupant, and also have certain rights of pre-emption. Khalsa land in the Melghat is not transferable without the Deputy Commissioner's or Commissioner's sanction.

81. Jagir and inams: 280,281 acres.—Land proved to have been held as inam under a fixed quit rent or rent free for a period of 40 years before the cession were treated as inam. All grants of land or money supported by sanads of such sovereign powers as the Kings of Delhi, or the Rulers of Satara

and Nagpur, or Scindia and the Nizam, as also of the Nizam's Ministers with the exception of certain Ministers who held office in the thirteen years preceding the cession, were considered valid when duly authenticated. Personal jagirs were continued, subject to a succession duly granted according to the degree of relationship of the heir. The continuance of service grants in general was made conditional upon due performance of the condition for which they were granted. Personal and subsistence grants were confirmed to the holder according to their actual tenure, subject to certain restrictions upon succession and alienation. Restricted tenure, however, was usually converted into a free-hold on the payment of an annual quit rent.

82. Izara tenure: 650,455 acres.—A scheme of izara tenure was introduced under the "Waste Land Rules" of 1865. According to these rules, whole villages, either deserted or partially deserted, were leased out to individuals on a low rental for a term up to thirty years; and the lessee was given the option, at the end of that term, either of obtaining perpetual hereditary and transferable proprietary rights subject to payment of one half of the ordinary assessment; or, provided that one-third of the land had been brought under cultivation, of merely retaining the right of being or appointing the village patel getting 25 per cent on the collections from the ryots, the village being settled as a regular khalsa village. Between 500 and 600 villages were so leased in parts of the old Wun, Ellichpur and Basim districts, now included in the Yeotmal, Amraoti and Akola districts. There are now 396 izara villages in Berar, of which the izardar is proprietor.

83. To determine the relations between the izardars and their tenants a law called the "Alienated Villages Tenancy Law" was passed in November 1921.

84. This law applies only to izara villages in which proprietary rights have been conferred, and lays down for tenants in such villages general provisions regarding rent and its payment, the right of tenants to make improvements and receive compensation therefor on ejectment, and surrender and attachment, similar to the provisions of the Central Provinces Tenancy Law. Four classes of tenants are recognized:—

(1) Ante-alienation tenants who must have held their land continuously from a period prior to the alienation of the village.
(2) Permanent tenants who have been on the land continuously from June 1895, or who have been created as such by the izardar.
(3) Sub-tenants who hold land from other tenants; and
(4) Ordinary tenants who hold land from the proprietor otherwise than in any of the three preceding tenures.

85. The tenures of ante-alienation and permanent tenants are very similar in their incidence to those of absolute-occupancy and occupancy tenants, respectively, in the Central Provinces; while the conditions of sub-tenures and ordinary tenures are regulated by agreement between the tenants and his landlord.

Sub-leases are valid for one year only, and ordinary leases for such term as may be agreed upon in writing, or if no term be specified are presumed to be annual leases.

86. **Palampat: 19,219 acres.**—These rights were granted before the assignment. They were granted for restoring villages thrown out of cultivation and were of course on favourable terms. They are perpetual leases.

87. The holder pays a fixed sum by way of quit rent and his tenure is in other respects governed by the Berar Inam Rules.

88. The total occupied area in Berar in 8,300,244 acres; with the exception of 280,218 acres held in jagir and inam rights, 19,219 acres held in palampat and 94,725 acres held in khalsa right in the Melghat; the remaining area of 7,905,931 acres or 95 per cent is held in proprietary right and can be leased, sold, mortgaged or otherwise transferred at will.

89. For the purposes of this enquiry, the non-proprietary 5 per cent is not very important.

90. **Land tenures (Central Provinces).**—In the Central Provinces an entirely different system of land tenure prevails.

91. The most common is the malguzari tenure. The 36,151 villages in the Central Provinces are divided up as follows:—

Malguzari villages	...	...	**26,827**
Zamindari and Jagirdari	...	...	**7,252**
Raiyatwari ..	..	...	**2,072**

92. **Malguzars.**—The malguzars have full powers of transfer of their malguzari rights subject to the payment of land revenue. They cultivate certain portion of the land in home-farm known as (1) *sir* and (2) *khudkasht*. It is not necessary here to dwell on the difference between these two kinds of home-farm.

93. The total malguzari area occupied for cultivation is 21,940,090 acres, of which home-farm covers 3,752,834 acres.

94. **Malik-makbuzas.**—In the malguzari villages small areas are also sometimes held by plot proprietors or malik-makbuzas. These persons have full rights of transfer by sale, lease or mortgage; but pay their land revenue through the malguzar who receives commission for collection. The total malik-makbuza area is 749,421 acres only.

95. **Tenants.**—The remaining area of 17,437,835 acres is held in tenancy right. There are two kinds of tenants (excluding the village service tenants who hold only 121,937 acres)—(1) absolute-occupancy holding 2,163,777 acres, and (2) occupancy holding 15,152,121 acres.

96. **Absolute-occupancy.**—The absolute-occupancy tenants have rights of transfer by sale, lease or mortgage, subject to the malguzar's right of pre-emption.

97. Occupancy.—The occupancy tenant has no right of transfer except to co-sharers and to certain heirs. His land cannot be attached or sold in execution of a decree, though he can be ejected by the revenue court for arrears of rent.

98. As the occupancy tenants have no rights of transfer, their lands cannot be used as a security for loans, etc., nor can they be mortgaged, although taccavi advances under the Agriculturist's Loans Act and Land Improvement Loans Act form a charge on their holdings.

99. Zamindari villages.—The zamindars and jagirdars hold 7,252 villages. The main difference in their position is that they pay a special takoli or quit rent which is less than the full kamiljama or malguzari land revenue which would otherwise be recoverable. They hold 425,531 acres (zamindari home-farm 405,641 and jagir home-farm 19,890 acres) in home-farm, while the remaining area is held in tenancy right on the same term as in malguzari villages.

100. The total area in malguzari, zamindari and jagiri right occupied for cultivation is 22,365,621 acres divided up as follows :—

Transferable.

	Acres.
Home-farm	4,116,727
Malik-makbuza	749,421
Absolute occupancy	2,163,777
Land held completely or partially revenue free ...	61,638
Total ...	7,091,563

Non-transferable.

	Acres.
Village service land	121,937
Occupancy land	15,152,121
Total ...	15,274,058

101. Ryotwari villages.—The ryotwari village have either been formed from malguzari villages which have been escheated and re-settled in ryotwari tenure or are villages more recently reclaimed from waste land.

102. The total ryotwari occupied area is 1,421,780 acres The ryots pay land revenue through the patel who receives commission. Neither patel nor ryots have rights of transfer by sale, mortgage or lease, and are liable to ejectment for breaches of certain conditions of their tenure. So that the whole ryotwari area is non-transferable.

103. It will be noted that if we exclude the home-farm, out of the total remaining area of 19,670,674 acres occupied for cultivation in the Central Provinces, by tenants and ryots in 36,151 ryotwari, malguzari and zamindari (or jagir) villages only 2,974,836 acres or 15 per cent are transferable, while the remaining 16,695,838 acres are non-transferable.

104. It is important to note that 71 per cent of the total area occupied for cultivation in the Central Provinces cannot be leased, sold or mortgaged, and has therefore no value as a security for debts, whereas in Berar 95 per cent of the occupied area is transferable and most valuable security.

III

Crops and methods of cultivation.

105. Crops.—The most important crops in the Province are:—

	Area. (acres).
Rice	5,411,005
Cotton	4,795,863
Juar	4,272,791
Wheat, gram and the other leguminous winter crops ...	3,664,453
Kodo-kutki	1,501,350
Oil seeds	1,792,262

106. It is desirable at this stage to give a brief description of the methods of cultivation followed in the production of these crops.

107. Rain crops: Rice.—In the actual area, rice is the most important crop in the province. This crop is sown at the end of June or the beginning of July, usually after the first showers of rain, and ripens in October or November. Either it is sown broadcast, in which case in Chhattisgarh it is followed by biasi operations, or it is transplanted. Transplanted rice is first sowed in seed-beds. The seedlings are then removed and transplanted to the fields sometime in July. As a rule, weeding of transplanted rice is not necessary, although in some soils in areas of heavy rainfall one weeding may be necessary to remove luxuriant growth which might otherwise retard the development of the rice crop. Transplantation is a relatively expensive operation; but weeding is also expensive and it is fortunate, therefore, that both operations are not always necessary.

108. For broadcast rice, weeding is necessary to prevent the young seedlings from being choked by the growth of weeds.

109. Biasi operations: Brief description.—Biasi cultivation is practised in Chhattisgarh alone. This system of growing rice is explained in a note on Chhattisgarh. The operations may be briefly described as follows:—

110. Nearly all rice area, including both the areas of transplanted and broadcast rice, are divided up into small embanked fields, the embankment not usually being high, but being intended to retain the surface water for a certain period of time. For biasi operations, these small embanked fields or dolis, as they are called, are ploughed once or twice during the spring showers and once or twice at the commencement of the monsoon, *i.e.*, two or three times in all. The rice is then sown broadcast. When the seedlings reach a height of about one foot, they are then ploughed crosswise with a plough usually yoked with he-buffaloes. This thins out the seedlings. The biasi operation or crop ploughing is only done when the rice doli has a certain

amount of water, so that the soil is converted into a mixture of mud. Later on the crop is weeded once or twice according to the luxuriance of the subsequent under-growth. Apart from this, no other operations are required until the cutting of the crop.

111. Throughout Chhattisgarh biasi is practised, except in very small irrigated areas, where some transplantation is done.

112. On the other hand, in other parts of the rice zone, which is described later on, *i.e.*, in Bhandara, Balaghat and Chanda, transplantation is very common. This is also the case in the best rice land of the plateau zone.

113. In Chhattisgarh the normal outturns which have been calculated from a large number of crop experiments are as follows :—

	Per acre. lbs.
Rice, biasi irrigated	... 1,500
Rice, biasi unirrigated ...	... 950
Rice, transplanted	... 1,600

114. For the Chhattisgarh districts of Raipur, Bilaspur and Drug, we have worked out the total amount of paddy resulting from these in 1927-28. This produces an all round average outturn of 1,028 lbs. per acre, as the area not classed as irrigated is very much greater than the irrigated area, as is explained in the note on Chhattisgarh. Comparing this with the actual food requirements of Chhattisgarh *plus* the actual amount of rice exported by rail from Chhattisgarh in 1927-28, we find that the food requirements and exports *plus* the seed requirements exceed the normal total outturn estimated by these figures by 173 lbs. per acre, allowing 3½ seers of cleaned rice per family of five persons per day, and by 49 lbs. per acre, allowing only 3 seers of cleaned rice per family. We have explained these calculations in greater detail in our note on Chhattisgarh.

115. These calculations serve as a useful cross-check to the enquiries which we have made from the villagers themselves in our village surveys.

116. The outturn from transplanted rice is undoubtedly heavier than from broadcast biasi. This we have also dealt with in our notes on the Bhandara and Balaghat districts. The normal outturn of rice in the Bhandara and Balaghat districts is explained in those notes. The cultivating costs of transplanted rice in Bhandara, Balaghat and Chanda are heavier than the costs for biasi cultivation in Chhattisgarh, owing to the higher wages of labour in the rice tracts in those districts and to the larger amount of agricultural labour required for transplantation.

117. Cotton.—Cotton in the past has been the principal money crop of the province, and during the period of the cotton boom many cultivators of the cotton zone, including Berar, where cotton is the most important crop, obtained rich profits.

118. Cotton, like rice, is also sown at the beginning of the rains. The cotton or juar stalks of the previous harvest have first to be removed and, the soil is then usually harrowed, or bukkered (as it is locally known), during the hot weather.

119. In the cotton zone, the seed is then sown with a *tiphan* containing three seed drills which sow in three lines simultaneously. In the north of the province, where cotton is relatively unimportant, and the methods of cotton cultivation are more rough, it is sown with a single seed drill in some cases, but is often sown broadcast.

120. When the seedlings attain an appreciable size, the soil between the lines of seedlings is hoed with the *dhaora* which has the effect of banking up the soil round the base of the seedlings during the period of growth. Two or three weedings are also required according to the richness of the soil and the luxuriance of the growth of weeds, which depends also a good deal upon the amount of rainfall received at various periods of the monsoon.

121. The picking of cotton is a relatively expensive operation and is usually paid for on contract in cash at rates varying between 4 annas and 8 annas per maund of cotton picked. The maund of uncleaned cotton varies in weight from 14 to 28 seers according to locality.

122. Juar.—Juar is also sown at the same time as cotton. It is the staple food grain of the cotton zone and, in area, is practically of the same importance as cotton.

123. Being the food staple in the cotton zone, it is always sown in some part of a holding in these areas, and the cultivator of that zone usually sows about half of his area with cotton and the other half with juar in rotation.

124. Juar is sown in the same manner as cotton, but it requires less weeding, one weeding being usually sufficient, as the young plants rapidly attain a considerable size and outstrip the undergrowth of weeds. The cutting and threshing of juar is also much less expensive than the picking of cotton, and is usually paid for in kind out of the juar harvest.

125. The cost of juar cultivation is, therefore, considerably less than that of cotton; but as the ordinary cultivator in the cotton zone grows both cotton and juar in his holding, it is not very easy to obtain from him an estimate of the costs of cultivation of cotton and of juar separately, although he is able to give an estimate of the costs of cultivation both together in a mixed holding.

126. The general opinion, however, is that the costs of juar cultivation are about two-thirds those of cotton.

127. Considerable areas are also sown with a species of juar grown as a winter crop known as ringni juar.

128. The cotton and juar outturns vary very greatly according to the quality of the soil. The question is discussed in greater detail in the district notes and in the separate note on Berar.

129. Kodon-kutki.—The only other rains crops of importance are kodon-kutki. These are the staple foods in the Satpura plateau zone and in the more backward tracts, and are particularly popular with the Gonds and other forest tribes. They are

usually sown broadcast in the beginning of the rains in the same way as broadcast rice. They are usually sown on the light soil stony uplands; but in some cases they are also sown in richer soils in which case they are weeded. In the vast majority of cases, however, they are not weeded at all and the costs of cultivation are insignificant.

130. The crop itself in appearance is not unlike a kind of grass. Its outturn varies enormously. If there is any prolonged break in the rains, the outturn in the stony uplands may be insignificant, whereas in a favourable year the outturn may be very heavy.

131. Winter crops (wheat).—Wheat is by far the most important of the winter crops and with the other winter crops is sown at the end of the monsoon from early in October until towards the end of November. It is of course essential to obtain a moist seed bed, and sowing operations should, therefore, commence in all but the embanked areas as soon as the soil has dried sufficiently after the monsoon to make sowing possible. On the other hand, if the monsoon ends too soon and sowing commences before the midday sun has lost its fierceness, the young seedlings are likely to wither, so that the cultivators almost invariably wait until then before commencing sowing operations, and in cases where the late monsoon is defective, large areas as a result remain unsown.

132. In the south of the province where the wheat soil is mostly a friable loam, wheat is sown in three rows with the *tiphan* like cotton and juar. When the *tiphan* is used, much less seed is required; but owing to the shorter cold weather the crops in the south of the province usually ripen to a stunted maturity about one month earlier than the crops in the plateau zone or in the northern wheat zone proper, and yield a lower outturn. As, however, the normal price of wheat in the south of the province is usually considerably higher than in the north, the smaller outturn is very largely compensated for by the higher prices obtained.

133. In the heavier clay and clay loam soils of the north of the province, however, it is not possible to sow wheat in more than one line at once, as it is necessary to plough fairly deep in order to obtain proper germination. Here sowing is done with a *nari* which may be described as an ordinary plough with a single seed drill of bamboo immediately behind the blade.

134. For all these sowing operations, two persons are required, one to drive the bullocks and the other to feed seed into the seed drills.

135. Most of the other winter crops such as gram, masur, etc., are sown in the same manner although some areas are sometimes sown broadcast.

136. When sowing is completed, no further agricultural operations are required until the cutting at harvest.

137. In the heaviest clay soils of the Nerbudda Valley, *i.e.*, in a large part of the eastern haveli of Narsinghpur and the

western haveli of the Jubbulpore district, the soil has so high a degree of plasticity and cohesion that the moisture zone or period of optimum condition, in which it is possible to harrow or plough the soil, is often extremely short. For this reason, large areas of this soil are embanked. By means of the embankment the water is retained in the fields, which are thus submerged for a considerable period of the monsoon.

138. This kills off the weeds and foreign growth, and in the embanked fields, although one harrowing is usually carried out in the hot weather, no further operation is necessary beyond letting out the water at the end of the rains and sowing the seed with the *nari*.

139. The embanked fields have also this additional advantage that in years when the late monsoon ends early, the cultivators can keep water in their fields until the best time for sowing has arrived.

140. These embanked fields also do not normally require any winter rains. The result therefore is that the crops in the embanked areas are secured against the ordinary, or all but the most exceptional, variations of the monsoon, and it is interesting to note that for this reason over 30 per cent of the total cropped area in the Narsinghpur district was classed at last settlement as secure.

141. In the unembanked areas, there are considerable stretches of very rich soil with a high decree of capillarity which renders them considerably more immune from the effects of the ordinary variations in the late monsoon and winter rains than the lighter soils.

142. The remaining area under wheat and other rabi soils is, however, mostly a lighter though fertile loam or clay loam soil which, although capable of yielding very heavy outturns under favourable climatic conditions, is liable to great variations in outturn according to the character of the rainfall. This is particularly the case in the Saugor and Damoh districts and in considerable parts of the Hoshangabad district of the wheat zone, while it also applies to those areas outside the wheat zone where wheat is grown. In fact, Colonel Maclean in his settlement report of the Saugor district in the nineties recorded that upon the timely receipt of one inch of rain in the cold weather depended whether the wheat outturn would be three times or eight times.

143. In the embanked wheat areas, it is also often the custom to double crop in alternate years. In one year the water is not allowed to accumulated in excess in the embanked area, and a catch crop of broadcast rice is grown followed by a second crop usually of masur, gram or other similar leguminous plant. In the next year, the water is retained in the embankment and ordinary winter crops are sown. It is stated that this system of rotation produces a heavier crop of wheat.

144. Birra.—Another system of cropping, which is of greater importance in the north of the province and which should be considered here, is locally known as "Birra".

usually sown broadcast in the beginning of the rains in the same way as broadcast rice. They are usually sown on the light soil stony uplands; but in some cases they are also sown in richer soils in which case they are weeded. In the vast majority of cases, however, they are not weeded at all and the costs of cultivation are insignificant.

130. The crop itself in appearance is not unlike a kind of grass. Its outturn varies enormously. If there is any prolonged break in the rains, the outturn in the stony uplands may be insignificant, whereas in a favourable year the outturn may be very heavy.

131. Winter crops (wheat).—Wheat is by far the most important of the winter crops and with the other winter crops is sown at the end of the monsoon from early in October until towards the end of November. It is of course essential to obtain a moist seed bed, and sowing operations should, therefore, commence in all but the embanked areas as soon as the soil has dried sufficiently after the monsoon to make sowing possible. On the other hand, if the monsoon ends too soon and sowing commences before the midday sun has lost its fierceness, the young seedlings are likely to wither, so that the cultivators almost invariably wait until then before commencing sowing operations, and in cases where the late monsoon is defective, large areas as a result remain unsown.

132. In the south of the province where the wheat soil is mostly a friable loam, wheat is sown in three rows with the *tiphan* like cotton and juar. When the *tiphan* is used, much less seed is required; but owing to the shorter cold weather the crops in the south of the province usually ripen to a stunted maturity about one month earlier than the crops in the plateau zone or in the northern wheat zone proper, and yield a lower outturn. As, however, the normal price of wheat in the south of the province is usually considerably higher than in the north, the smaller outturn is very largely compensated for by the higher prices obtained.

133. In the heavier clay and clay loam soils of the north of the province, however, it is not possible to sow wheat in more than one line at once, as it is necessary to plough fairly deep in order to obtain proper germination. Here sowing is done with a *nari* which may be described as an ordinary plough with a single seed drill of bamboo immediately behind the blade.

134. For all these sowing operations, two persons are required, one to drive the bullocks and the other to feed seed into the seed drills.

135. Most of the other winter crops such as gram, masur, etc., are sown in the same manner although some areas are sometimes sown broadcast.

136. When sowing is completed, no further agricultural operations are required until the cutting at harvest.

137. In the heaviest clay soils of the Nerbudda Valley, *i.e.*, in a large part of the eastern haveli of Narsinghpur and the

western haveli of the Jubbulpore district, the soil has so high a degree of plasticity and cohesion that the moisture zone or period of optimum condition, in which it is possible to harrow or plough the soil, is often extremely short. For this reason, large areas of this soil are embanked. By means of the embankment the water is retained in the fields, which are thus submerged for a considerable period of the monsoon.

138. This kills off the weeds and foreign growth, and in the embanked fields, although one harrowing is usually carried out in the hot weather, no further operation is necessary beyond letting out the water at the end of the rains and sowing the seed with the *nari*.

139. The embanked fields have also this additional advantage that in years when the late monsoon ends early, the cultivators can keep water in their fields until the best time for sowing has arrived.

140. These embanked fields also do not normally require any winter rains. The result therefore is that the crops in the embanked areas are secured against the ordinary, or all but the most exceptional, variations of the monsoon, and it is interesting to note that for this reason over 30 per cent of the total cropped area in the Narsinghpur district was classed at last settlement as secure.

141. In the unembanked areas, there are considerable stretches of very rich soil with a high decree of capillarity which renders them considerably more immune from the effects of the ordinary variations in the late monsoon and winter rains than the lighter soils.

142. The remaining area under wheat and other rabi soils is, however, mostly a lighter though fertile loam or clay loam soil which, although capable of yielding very heavy outturns under favourable climatic conditions, is liable to great variations in outturn according to the character of the rainfall. This is particularly the case in the Saugor and Damoh districts and in considerable parts of the Hoshangabad district of the wheat zone, while it also applies to those areas outside the wheat zone where wheat is grown. In fact, Colonel Maclean in his settlement report of the Saugor district in the nineties recorded that upon the timely receipt of one inch of rain in the cold weather depended whether the wheat outturn would be three times or eight times.

143. In the embanked wheat areas, it is also often the custom to double crop in alternate years. In one year the water is not allowed to accumulated in excess in the embanked area, and a catch crop of broadcast rice is grown followed by a second crop usually of masur, gram or other similar leguminous plant. In the next year, the water is retained in the embankment and ordinary winter crops are sown. It is stated that this system of rotation produces a heavier crop of wheat.

144. Birra.—Another system of cropping, which is of greater importance in the north of the province and which should be considered here, is locally known as "Birra".

145. The wheat soils of the Nerbudda Valley proper have been producing wheat crops for over 100 years at least without manure and in the past without very much rotation, and of necessity, many of them have approached what is known in agricultural chemistry as the limit of exhaustion. The cultivators in the Narsinghpur and Jubbulpore districts have discovered by practical experience a fact well-known to agricultural chemistry, that gram and other similar leguminous plants have the power of increasing the nitrogenization of the soil; and in many parts of the province it is now the custom to sow wheat in rotation with leguminous crops.

146. But in the Narsinghpur and Jubbulpore districts, the cultivators have for several years past been mixing a certain proportion of gram seed with their wheat, the proportion in the best wheat tracts being seven parts of wheat to one part of gram. This mixed crop is known as *Birra*. Cultivators have found that this system does much to maintain nitrogen in the soil, preventing excessive soil exhaustion, increasing the wheat outturn, and reducing the need for rotation. As a result nowadays very little pure wheat is sown in the best part of the Narsinghpur and Jubbulpore districts, while "Birra" is yearly becoming more popular in other parts of the wheat zone.

147. The ordinary outturn of wheat in a normal year in the south of the province approximates to 500 lbs., while in the north of the province, where the crops obtain a longer period for growth, the outturn varies round about 600 lbs., a relatively insignificant outturn when compared with the wheat outturn in other wheat growing countries. But manuring is practically unknown.

148. Mixed crops.—In addition, the growing of other mixed crops is also popular in many parts of the province. For instance, in the cotton tracts, a certain amount of tur or rahar is usually sown in rows with cotton, while mung or urad, a running bean, is usually grown mixed with juar.

149. In the north of the province a mixed crop of rahar, tur, kodon-kutki, mung, urad is also important. This crop has been discussed in detail in the Narsinghpur Settlement Report, paragraph 134. The mixture of crops does not necessitate any alteration in the methods of agriculture followed for the unmixed crop, alhough the eventual outturn is slightly increased.

150. Double-cropping.—Apart from the double-cropping in the wheat tracts already noted, wherein rice is the catch crop and the winter crop which follows is the crop of importance, double-cropping is also very common in the rice tracts, particularly in the irrigated areas. Here the principal crop is the rice crop which is grown in the ordinary manner described above. While the crop is still standing and the soil still wet, the seed of a second crop or catch crop of lakhori (*alias* teora), masur, gram and linseed, etc., is thrown in. After the cutting of the

rice crop, the second crop comes up among the stubble and requires no other agricultural operations except harvesting.

151. These are the most important crops of the province. We feel it would unduly lengthen our report to discuss in detail the methods of growing the so-called minor crops, such as oil seeds, hemp, etc.

152. We may note in conclusion, however, that the irrigation of winter crops, such as wheat is quite unimportant in this province.

153. The Kachhi caste and some others occasionally irrigate one or two acres of wheat and other crops from irrigation wells. This is a form of intensive cultivation. But the total area in the province so irrigated is insignificant.

154. The use of artificial manures and fertilizers is still almost unknown.

IV

THE MAIN AGRICULTURAL ZONES.

155. Main agricultural zones.—The Central Provinces and Berar adjoin Upper India to the north and the Deccan to the south, the Satpura Plateau, which stretches across the middle of the province, being ordinarily considered to be the dividing line between Hindustan and the Deccan.

156. Over an area of this kind, therefore, it is only natural that climatic conditions, cropping, the system of agriculture, and the character of the population should vary very greatly.

157. We have, therefore, for the purpose of our enquiry, divided the province into the following zones:—

Cotton zone.

—	Total area in square miles.	Total population.
1	2	3
Berar.		
Amraoti district	4,704	907,896
Akola district	4,110	866,417
Buldana district	3,734	776,996
Yeotmal district	5,219	843,095
Central Provinces.		
Wardha district	2,434	515,438
Nagpur district	3,834	880,093
Nimar district	4,227	445,169
Total ...	28,262	5,235,104

158. Berar lies in the extreme south-west corner of the province. The district of Nimar of the Nerbudda Division of the Central Provinces adjoins it to the north-west being divided

from it by a spur of the Satpura plateau known as the Melghat. The Wardha district adjoins Berar immediately to the east, while Nagpur lies to the east of Wardha. The cropping and general characteristics of the Nimar and the Wardha districts and of the western portion of the Nagpur district closely approximate to those of Berar. Towards the east and south, however, the Nagpur district begins to merge into the rice tracts, and here the cropping differs considerably. The total number of villages in this zone are as follows :—

District.	Total number of villages in each district.	Village area.		Occupied area.		Gross cropped area.		Population.	
		Total.	Average per village.	Total.	Average per village.	Total.	Average per village.	Total.	Average per village.
1	2	3	4	5	6	7	8	9	10
		Acres.	Acres.	Acres.	Acres.	Acres	Acres.		
Amraoti ...	1,800	3,008,887	1,672	1,834,231	1,019	1,653,789	918	907,896	504
Akola ...	1,734	2,620,661	1,511	2,217,624	1,279	1,909,947	1,101	866,417	500
Buldana ..	1,364	2,403,364	1,762	1,948,700	1,429	1,656,943	1,214	766,996	569
Yeotmal ...	1,802	3,340.851	1,854	2,299,599	1,276	1,736,609	963	843,095	462
Wardha ...	1,369	1,425,037	1,041	1,182,641	864	1,028,669	751	515,438	376
Nagpur ...	1,939	2,124,206	1,096	1,636,740	844	1,329,801	685	880,093	453
Nimar ...	1,128	1 624,015	1,440	1,187,106	1,052	9,73,176	862	445,169	395
Total for the Zone.	11,106	16,547,021	1,490	12,306,931	1,108	10,288,934	927	5,235,104	471

The principal crops in this zone are—

District.	Area under principal crops.				
	Cotton.	Juar.	Wheat.	Others.	Total.
1	2	3	4	5	6
	Acres.	Acres.	Acres	Acres.	Acres.
Amraoti ...	890,439	472,731	64,831	2,257,788	1,653,788
Akola ...	957,215	614,532	82,537	255,663	19,09,947
Buldana ...	725,697	546,952	73,403	310,891	16,56,943
Yeotmal ...	777,240	604,314	51,970	303,085	17,36,609
Wardha ...	401.618	318,120	114,143	194,788	10,28,669
Nagpur ...	314,691	474,545	203,990	336,575	13.29,801
Nimar ...	362,630	225,763	40,277	844,506	973,176
Total ...	44,29,530	32,56,957	631,151	1,971,296	10,288,934

159. Character of the tenantry and staple food grain.—In this zone, the Maratha Kunbi very greatly predominates, although there are a certain number of other Hindu castes of up-country origin, such as Rajputs, etc.

160. The prevailing language is Marathi and the staples food grain is juar.

161. Soils.—The predominating soil is a rich black clay and clay loam commonly known as "black cotton soil", although in the uplands and undulating areas lighter loam soils are found. The rainfall is generally lighter than in other parts of the province. The soil and climate are especially suited to the production of cotton and juar, although in the south-east portion of the Nagpur district the rainfall is heavier.

162.

Rice zone.

—	Total area in square miles.	Total population.
1	2	3
Chhattisgarh division.		
Raipur district	9,787	1,510,228
Bilaspur district	7,618	1,359,655
Drug district	4,645	793,069
Nagpur division.		
Bhandara district	3,623	795,586
Balaghat district	3,557	548,360
Chanda district	9,312	721,170
Total ...	38,542	5,728,068

The three districts of Chhattisgarh cover the south-east portion of the Central Provinces.

163. The Bhandara and Balaghat districts adjoin the zamindaris of Chhattisgarh on the west, while the Chanda district adjoins the south-west border of Chhattisgarh and the Drug district, stretching across to touch the cotton zone on the Wardha and Berar borders.

164. Throughout Chhattisgarh and the Balaghat and Bhandara districts, rice is easily the most important crop.

165. In the Chanda district also, rice is the principal crop; but in the western portion, particularly in the Warora tahsil, a large portion of which lies in the Wardha Valley, the rich black cotton soil of Berar commences, and the general characteristics of the cropping begin to approximate to those of the cotton zone.

166. The rainfall here, however, is slightly heavier than in Berar, with the result that there is a considerable area in the Warora tahsil under wheat and winter crops.

167. The total number of villages in this zone is as follows:—

District.	Total number of villages in each district.	Village area.		Occupied area.		Gross cropped area including double crops.		Populatio
		Total.	Average per village.	Total.	Average per village.	Total	Average per village.	Total.
1	2	3	4	5	6	7	8	9
		Acres.	Acres.	Acres.	Acres.	Acres.	Acres.	
Raipur ...	4,398	4,068,827	925	2,607,075	593	2,654,627	603	1,510,228
Bilaspur ...	3,476	3,603,931	1,037	2,016,709	580	2,173,641	622	1,356,655
Drug ...	2,659	2,566,732	966	1,765,338	664	1,849,725	696	7,92,069
Bhandara ...	1,644	1,966,844	1,196	1,018,160	620	1,035,570	629	7,95,586
Balaghat ...	1,304	1,625,472	1,246	7,33,310	562	7,41,320	568	5,48,360
Chanda ...	2,917	3,065,387	1,051	1,311,020	449	9,57,569	328	7,21,170
Total ...	16,398	16,897,193	1,030	9,451,612	576	9,412,462	574	5,728,058

The principal crops are as follows:—

District.	Area under principal crops.					
	Rice.	Wheat.	Teora Batra.	Linseed.	Others.	Total.
1	2	3	4	5	6	7
	Acres.	Acres.	Acres.	Acres.	Acres.	Acres.
Raipur ...	1,594,138	34,962	1,29,158	1,71,580	7,24,789	2,654,627
Bilaspur ...	1,233,689	1,07,375	1,91 880	1,20,827	5,19,870	2,173,641
Drug ...	7,14,213	1,51,918	1,59,366	1,41,030	6,83,198	1,849,725
Bhandara ...	4,80,545	1,01,901	1,35,569	68,994	2,48,561	1,035,670
Balaghat ...	3,98,103	45,332	47,988	56,774	1,93,123	7,41,320
Chanda ...	2,85,807	67,316	45,451	50,665	5,08,300	9,57,569
Total ...	4,706,495	5,08,834	7,09,412	6,09,870	2,877,841	9,412,452

NOTE.—Teora, batra and linseed are largely double-cropped over rice. Owing to the relatively large double-cropped area the gross area of crops in some districts actually exceeds the occupied area.

168. Character of the tenantry and staples food grain.—Throughout Chhattisgarh the Satnami Chamar very greatly predominates, although there are also a certain number of other Hindu castes, such as Telis and Kalars.

169. In the Balaghat and Bhandara districts the ordinary Hindu castes are found, among whom Powars and Kurmis are

particularly important. These castes are famous for their skill in growing transplanted rice, and are very industrious and intelligent cultivators.

170. In Chanda the usual Hindu Castes are found mixed with a large number of Gonds.

171. The local dialect in Chhattisgarh is Chhattisgarhi, a corruption of Hindi.

172. In Balaghat and Bhandara, the Marathi language is mostly spoken, which is also the most common language in Chanda, although on the eastern border of the Chanda district we find Hindi. To the south the Chanda district adjoins the Upper Godavari district of the Madras Presidency, and here Telugu is spoken.

173. The staples food in this zone is rice, though juar is also important in Chanda.

174. Soils.—The soils being of laterite origin are practically all sandy in a lesser or greater degree, varying between a coarse sandy soil and a quite heavy and fertile clay and clay loam with an admixture of silt.

175. The rainfall in this zone is much heavier than in Berar. The climatic conditions and the soils are peculiarly suited to the cultivation of rice, although in the richer clay and clay loam soils good crops of wheat are produced in years of favourable rainfall.

176.

Wheat zone.

—	Total area in square miles.	Total population.
1	2	3
Nerbudda Valley districts :—		
Jubbulpore	3,912	7,78,391
Narsinghpur	1,976	3,30,867
Hoshangabad	3,681	4,84,533
Vindhian Plateau districts :—		
Saugor	3,962	5,65,880
Damoh	2,818	3,07,768
Total ...	16,349	2,467,439

The wheat zone stretches from the base of the Satpura hill range on the south to the northern boundaries of the province. The eastern portion of the Jubbulpore district, as is described in the separate district note, although included in the Jubbulpore district for administrative convenience, consists mostly of sandy soil and has little in common with the wheat zone proper.

177. The districts of Saugor and Damoh, in the extreme north of the province, are situated on the Vindhian plateau, overlooking the Nerbudda Valley from the north. In these districts stretches of every fertile soil sometimes occur in the valleys and are occasionally embanked; but as a rule although the predominating soil in the occupied areas in a good clay loam capable of producing good winter crops, the general position is more uneven and the texture of the soils more friable than those of the Nerbudda Valley proper, with the result that, although in years of favourable climatic conditions, these soils are capable of producing very heavy outturns of wheat and winter crops, they are much more liable to crop failure than those of the valley.

178. The western portion of the Jubbulpore district, the Narsinghpur district and the Hoshangabad district lie in the Nerbudda Valley proper. The central haveli portion is fringed on the south by lighter sandy soils running up to the Satpura hills, while similar soils again occur to the north at the base of the Vindhian escarpment. The central portion is, however, very closely cropped and is the best wheat area in the province.

179. In paragraphs 137—140, with regard to cropping, we have described the system of embankment in the eastern portion of Narsinghpur and the western portion of Jubbulpore. The soils of the Nerbudda Valley proper are lacustrine in origin. The silt and clay deposit in some places exceeds 100 feet in depth. The typical soil is a rich clay merging into an equally fertile clay loam. Both these soils have a very high degree of capillarity, although the clay loam is more friable and more easily workable than the heavier clay.

180. The total number of villages in this zone are as follows :—

District.	Total number of villages in each district.	Village area.		Occupied area.		Cropped area.		Population.	
		Total.	Average per village.	Total.	Average per village.	Total.	Average per village.	Total.	Average per per village.
1	2	3	4	5	6	7	8	9	10
		Acres.	Acres.	Acres.	Acres.	Acres.	Acres.		
Jubbulpore ...	2,536	22,86,042	901	14,09,516	555	10,79,978	424	7,78,391	307
Narsinghpur...	1,068	11,06,149	1,037	7,41,533	691	6,11,699	573	3,30,867	309
Hoshangabad	1,370	17,56,067	1,282	12,15,278	887	9,44,324	689	4,84,533	353
Saugor ...	2,084	20,46,040	982	12,65,086	607	9,92,236	476	5,65,880	270
Damoh ...	1,393	12,93,448	929	7,56,121	543	56,351	404	3,07,768	220
Total ...	8,451	84,87,786	1,004	53,87,564	638	41,91,888	496	24,67,439	293

The principal crops are as follows :—

District	Area under principal crops.					
	Wheat (pure.)	Wheat (Birra.)	Gram.	Other winter crops.	Others.	Total.
1	2	3	4	5	6	7
	Acres.	Acres.	Acres.	Acres	Acres.	Acres.
Jubbulpore ...	1,62,412	2,98,890	68,556	1,83,348	3,66,772	10,79,978
Narsinghpur ...	9,015	1,86,536	1,08,247	86,703	2.21,198	6,11,699
Hoshangabad ...	3,91,793	32,453	60,834	1,38,297	3,20,947	9,44,324
Saugor ...	54,201	71,315	64,386	74,990	7,27,344	9,92,236
Damoh ...	2,24,685	50,432	20,320	37,337	2,30,627	5,63,451
Total ...	8,42,106	6,39,626	3,22,343	5,20,725	18,66,788	41 91,688

181. Character of the tenantry.—The whole of this area at one time formed part of the dominions of the so-called Garha-Mandla Gond Dynasty. In the time of the Moghul Emperor Akbar, it was invaded by the Muhammadan armies from the north and, after the capture of Chouragarh, an important hill fortress in the Narsinghpur district, and the death of Rani Durgavati, the Gonds gradually retired to Mandla.

182. The migration of the Hindu cultivating castes from Hindustan dates from this period. They followed the invading arimes and colonized the areas from which the Gonds were compelled to retire.

183. Throughout this zone the predominant castes are Lodhis, Rajputs and up-country Brahmans of various septs with an admixture of the other Hindu castes, such as Kachhis, Kalars, Telis, Ahirs, etc.

184. Soils.—Throughout this tract there is a longer cold weather, and the rainfall of the late monsoon is usually copious and well distributed, while cold weather showers are also usually received. The soils and the general climate are peculiarly suited to the production of wheat and other winter crops.

Satpura Plateau zone.

185.

	Total area in square miles.	Total population.
1	2	3
Betul district	3,872	4,02,003
Chhindwara district	4,578	5,47,958
Seoni district	3,216	3,84,579
Mandla district	5,057	4,21,542
Total ...	16,273	17,56,082

The Satpura zone stretches across the centre of the Central Provinces from west to east lying at a general altitude of about 2,000 feet above sea level.

186. The zone may be described as a series of valleys and pockets of rich clay and clay loam soil cut up by stony and barren ridges, and interspersed between large areas of hill and jungle.

187. In the south-east of the Seoni district there is a stretch of very fertile and closely cultivated rice soil, where Power tenantry predominate, and with all the characteristics of the Balaghat rice area adjoining. There are also some level stretches of wheat soil, while the Sausar tahsil of the Chhindwara district to the south below the ghats, although included in that district for the purposes of administrative convenience, has much more in common with the Maratha plain of the cotton zone which it immediately adjoins.

188. The total number of villages in this zone are :—

District.	Total number of villages in each district.	Village area.		Occupied area.		Cropped area.		Population.	
		Total.	Average per village.	Total.	Average per village.	Total.	Average per village.	Total.	Average per village.
1	2	3	4	5	6	7	8	9	10
		Acres.	Acres.	Acres.	Acres.	Acres.	Acres.		
Betul ...	1,266	1,734,069	1,377	1,172,437	926	798,288	630	402,003	317
Chhindwara ...	1,955	2,504,720	1,281	1,332,106	681	1,062,823	543	547,958	284
Seoni ...	1,635	1,630,610	991	1,063,407	650	786,058	481	384,579	235
Mandla ...	2,010	2,035,244	1,013	1,215,262	605	835,852	415	421,542	209
Total ...	6,868	7,913,643	1,153	4,783,212	697	3,483,021	507	1,756,082	256

The principal crops in this zone are :—

District.	Area under principal crops.						
	Kodu kutki.	Wheat.	Juar.	Cotton.	Rice.	Others.	Total.
1	2	3	4	5	6	7	8
	Acres.	Acres.	Acres.	Acres.	Acres.	Acres.	Acres.
Betul ...	155,627	148,632	32,356	25,138	16,126	420,409	798,288
Chhindwara ...	139,906	160,780	135,714	106,857	12,248	507,318	1,062,823
Seoni ...	106,321	227,492	11,539	15,711	114,127	310,868	786,058
Mandla ...	247,401	153,065	261	23	151,574	283,528	835,852
Total ...	649,255	689,969	179,870	147,729	294,075	1,522,123	3,483,021

189. Most of the cotton is grown in the portions of the Betul district adjoining Berar and in the Sausar tahsil of the Chhindwara district, while the only important rice tract is the Barghat tract of the Seoni district which is separately described in the note on Seoni district and in the economic survey note on Barghat Khas (*vide* Appendices H-X, E-LIII, respectively). Kodon-kutki, juar and oilseeds are grown in the light soil uplands while wheat predominates in the valleys.

190. The cropping in a heterogenous zone of this kind varies with the soils. The rainfall is usually copious and there is long cold weather and, where the soils are sufficiently deep and fertile to grow winter crops, they yield heavy outturns under favourable monsoon conditions. The whole of this tract, however, is liable to great variations in outturn and to crop failure in years of defective monsoon. Fortunately, however, the income from subsidiary sources is of great importance as is described in the district notes.

191. **Character of the tenantry.**—Gonds predominate. In the large forest areas and stony uplands, very few members of any other caste are found. But in the more open and developed portions, the usual Hindu castes, such as Rajputs Kurmis, Telis, Kalar, Powars and Brahmans are also found.

V.

The Village.

192. **The village: The unit of rural economy.**—We can now return to our examination, of the unit of rural life, the village.

193. The area and population of a village vary greatly in different parts of the province, as is seen from the statements given above. The average population of a village for the province as a whole comes to 354 persons, and the area to 1,163 acres. In the Satpura plateau zone the average population of a village is 256 only, while in the cotton zone it slightly exceeds 470 persons. Although the stage of development of villages in different tracts varies greatly, they all have certain common characteristics.

194. **The abadi or village site.**—Unlike other countries, in India and in the Central Provinces the farmstead is practically unknown.

195. For certain historical reasons the individual cultivator does not live on his farm. The population of the village is concentrated in one common residential site, known as the abadi in the Central Provinces and the gaothan in Berar.

196. The site is usually near the water-supply but on land sufficiently high to avoid the monsoon floods.

197. Before the granting of rights in land in the settlements of the Sixties the individual cultivator was usually a tenant-at-will. In pre-British days the local patel, the predecessor of the malguzar, was little more than a revenue collector liable to change from year to year. He was responsible for paying the land revenue of the village, and distributed land for cultivation

among the villagers on his own terms. Cultivators often changed their lands from year to year, and cultivation in those days was in many parts of the province largely on a communal basis. Without any assured rights in any particular portion of land, it was clearly unlikely that an individual cultivator would build a residence upon the land which he happened at the time to be cultivating.

198. Before the establishment of the Pax Britannica there was also little security of person or of property, and the residents of the village preferred to live together in one place for self defence. In many villages the remains of old forts still exist; throughout Berar we find the village garhi—the ruins of an old mud fort—where the local headman resided, and within which villagers collected together for safety on the occasion of the recurring ravages of Pindaris and free-booters.

199. The old custom has outlived its necessity, and at subsequent settlements the abadi site or area in which houses may be constructed, is now separately marked out, defined and recorded. Each tenant and agricultural labourer is entitled to receive from the malguzar a free site for a house inside that area, and here too the non-agriculturists reside in arrangement with the malguzar.

200. The abadi or village site is often congested, and when a village site is completely filled, or where for social reasons any class such as an untouchable caste is required to live apart, small hamlets are sometimes formed, which may be situated at some distance from the main abadi.

201. The house.—The house proper will usually be built round the 3 sides of a central space usually called the chowk, and at the other end there will be sufficient room for sheds for cattle and implements of agriculture.

202. The smaller cultivator is generally contented with two huts one for himself and one for his cattle. The materials of which dwelling places are built, vary with the locality and the means of the inhabitants. In the wealthier tracts they may be built of brick or stone, while elsewhere the ordinary cultivator will be satisfied with mud walls. Further a field where the forests are more frequent and the soil poorer, the houses are often little more than sheds with thatched roofs carried by poles, the spaces between which are filled by strips of bamboos plaited together like a basket, and plastered over with mud. Houses of this kind are more common in the Gond villages.

203. The principal house in the village will ordinarily be that of the headman or malguzar. If the village site is an old established one, it will often be surrounded by mango groves, etc.

204. The bari or garden.—The cultivators and agricultural labourers will usually, where space permits, have attached to their houses small gardens known as baris, which are naturally fertilized by the manure and refuse of the village, and in which intensive cultivation of garden crops, maize, etc., is practised.

205. These baris or gardens vary much in size. In the undeveloped uplands the village site may sometimes be straggling, particularly in Gondi villages, and the attached baris in these villages are usually large. In them not only the cultivators, but the agricultural labourers as well, often produce sufficient maize or juar, etc., to provide them with food for at least two months of the year.

206. In the most closely developed tracts, however, there is sometimes too much congestion in the village site to permit of numerous or extensive baris. For instance, the Settlement Officer has noted that in the haveli tracts of the Narsinghpur district hardly an acre remains uncultivated, and that at the time of settlement there were bitter disputes even over the sites for burial grounds.

207. Communal rights in the village.—We have already explained that all areas outside the actual towns and the reserved forests are included in the villages, but the area of a village is often much larger than the area actually occupied for cultivation or under crop. The total area included in the villages of Central Provinces and Berar is 49,845,643 acres, the total occupied area is 31,929,119 acres and the total net cropped area in 1927-28 was 27,376,295 acres.

208. The area out of occupation may be fairly described as the communal area. In every village there will be a communal burial ground and some waste land, etc., etc., over which communal rights of a certain kind exist. In some villages there will be considerable areas of what is known as big tree forest, and in addition there will be a good deal of land under scrub-jungle and grass. The areas of village jungle and waste land vary greatly in different parts of the province according to the extension of cultivation, the quality of the soil and the demand for land.

209. In the settlement records wherever communal land exists, it is separately recorded as such, and it is over these communal lands that the villagers enjoy the communal rights of grazing and nistar, which assume such importance in the life of the rural community. In all villages there are a large number not only of plough-cattle but of cows and buffaloes and other so-called non-agricultural animals. Where sufficient grazing ground exists the village cattle will graze there. The rights which the members of the village community enjoy over these grazing lands based on immemorial custom, are entered in the village papers and are most highly valued.

210. They vary considerably in different tracts and in different villages. In some villages all residents are entitled to graze their cattle free in the communal lands, while at the other extreme in some villages these privileges are confined only to the free grazing of the agricultural cattle of the rent-paying cultivators.

211. The grazing rights vary in degree from village to village between these two extremes. In cases not covered by these rights, grazing involves some payment to the malguzar.

212. Nistar.—The rights of nistar are equally important to the villagers. It will be remembered that the only fuel used for cooking food and for other purposes in the Central Provinces and Berar is either fire wood or cowdung cakes. And where any area of jungle exists, the cultivators and agricultural labourers at least enjoy the right of collecting free fire wood from the jungle. In most villages they are also entitled to free extraction of other timber for making their agricultural implements, but the extraction of the more valuable building timber for the construction of houses is usually only allowed upon the permission of, which involved payment to, the malguzar.

213. The malguzar or landlord in the Central Provinces enjoys general rights over the waste land of which he may be said to be in many respects *de facto* proprietor subject to whatever rights villagers may possess. He alone is entitled to exploitation of the timber of jungle subject to cerain rules under the Land Revenue Act for the management of malguzari forest.

214. In many parts of the province also Mahua, Achar and other fruit bearing trees abound and the residents of the village enjoy varying rights of collecting these fruits and edible roots.

215. It is with regard to these unoccupied lands that the remnants of the old communal life of the village principally survive, but other communal features still exist.

216. In Berar, when the first survey was made in the early sixties, not only were the occupied and culturable fields surveyed and marked out but the "goathan", or village site, was allotted and lands were reserved for free grazing and other "municipal purposes" of the village. Cultivators occupying village sites have full proprietary rights in them. They have the right to use lands set apart for village use; and though nistar rights do not exist, villagers are permitted to extract fire wood, *i.e.*, from plots of forest land called C class forest land. In other respects the above description of the village in Central Provinces holds good generally for Berar.

VI

Village life.

217. *Communications.*—A slow but regular improvement in communications continues. The total length of roads at present is as follows:—

		Miles.
Total length of Class I roads	...	49,435
Total length of Class II roads	...	2,484

218. There is a railway line passing through each district of the province, and each district contains a number of first class roads converging on the rail heads. Communications, however, differ materially in various parts of the province. For instance, the Itarsi-Jubbulpore branch of the Great Indian Peninsula Railway, which runs along the whole length of the Nerbudda Valley, places most villages in the Hoshangabad, Narsinghpur and the western portion of the Jubbulpore districts within 10 or 15 miles of a railway station. The hinterland of Mandla, Chanda and Chhattisgarh and parts of the Satpura plateau, however, are

situated at a much greater distance from the railway and, although with the exception of the more hilly and most backward tracts, there are now few villages more than 20 miles from a first class road, there are still considerable areas more than 50 miles distant from the railway.

219. In certain backward tracts, such as those mentioned above, pack-bullocks are still used as a means of transport, but these tracts are relatively unimportant, and communications now suffice for the moving of produce by country carts from nearly all cultivated areas to the wholesale markets.

220. In the cotton zone and in other tracts where money crops are produced for sale, a large number of the cultivators carry their own produce in their own carts to the nearest market town, but in other cases, with the exception of that small percentage of persons who are habituated to litigation, and who are mostly persons who either owe or are owed considerable sums of money and who are not typical of the real villager, the majority of the dwellers in rural areas rarely visit the town. Their lives centre round the village in which they dwell. Our chairman noted in the Narsinghpur district, which has possibly the best railway communications in the province, when inspecting a primary school in 1925 at 10 miles distance from headquarters, that out of the highest class of 14 boys, four stated that they had never seen the headquarters town, while only one of them had been 50 miles by railway to the town of Jubbulpore.

221. Current events in the town are often not matters of much interest in the village, where interests centre round the prospects of the coming harvest and other rural matters of that kind. The marriage celebrations of a big man in the village, disputes over some petty encroachment of land, trespass of the cattle of one villager into the field of another, local scandals and gossip of the village, or the highhandedness of some petty local official, etc., etc., are all matters of much greater interest than the more important events of the outside world, and may be discussed far into the night when the villagers collect together to smoke the *chilum* at the village *baithak* or under the village pipal tree.

222. In Chapter XV in foreshadowing the lines to be followed for the future economic development of the province, we have discussed some other aspects of rural life and in particular the natural conservatism of the Indian agriculturist.

223. **The village in earlier days.**—In the old days village life was not only largely on a communal basis, but the village was self-sufficing. The cultivators produced the grain, the oil-seeds and the cotton, etc.

224. The weavers manufactured the hand-woven clothing.

225. The Ahirs bred cattle, and tended the village cattle as communal village servants.

226. The Sonars made the ornaments of gold and silver for the few who required them.

227. The Chamars made the shoes; the bangle makers the glass bangles for the women.

228. The local dyers coloured the country cloth with local dyes produced from "al", which was then a valuable crop.

229. The Telis pressed out with their bullock power oil press the vegetable oil required for food and for lighting.

230. The Kalars manufactured country liquor from mahua where demand existed.

231. The carpenter and the blacksmith produced the agricultural implements of wood and iron and the doors and door posts for houses, the country carts, etc.

232. The Kumhars (potters) made the earthen utensils, the bricks and the tiles from the clay deposits on the bank of the local stream, and so on.

233. In the smaller villages, possibly, not all these manufacturers of commodities existed. But they were always to be found in the bazar villages.

234. The Bazar village.—The bazar village corresponded, and still corresponds in many respects, though on a smaller and more primitive scale, with the small market town in rural areas in England.

235. A large village with a weekly or bi-weekly bazar will be found all over the province at distances of 5 to 10 miles, serving the surrounding villages. Go through any of those surrounding villages in the afternoon of the bazar day, and you will find it practically deserted. But if you proceed on to the bazar village, you will find all the country-side collected.

236. Many of these village bazars are now under the management of the district council, who arrange for the sanitation and have often constructed *chabutras* or raised platforms for stalls, sometimes covered in to keep off the sun and rain, and make charges in return for the use of these sites for stalls.

237. Here will sit, with their wares spread out before them, the purveyors of all those commodities required in rural life.

238. The local Kachis or market gardeners will be there with their onions, pumpkins, melons, vegetables, etc.

239. There will be the grocers with their salt, condiments, haldi (turmeric), etc., and the oil-sellers with sweet oil and the coarse red kerosine oil which is now used for lighting, and which is purchased by the bottle.

240. There will be the weavers with the home-made saris and dhotis, etc., while nowadays there may be some mill-made cloth imported from outside.

241. There will be stalls for the sale of glass bangles, cheap anklets and bracelets of silver alloy, combs and cheap hand looking-glasses, etc., so popular nowadays.

242. There will be some leather workers with the gaily decorated country shoes; and some sellers of country tobacco and pan, etc., etc.

243. Cart-wheels, carved doors, whips, leather thongs, rope, etc., and numerous other articles will be for sale here, all of local manufacture.

244. To many of these bazars the small cultivators still take small quantities of grain which they sell retail, and with the proceeds make their petty purchases.

245. The larger bazars may also have risen to the rank of cattle markets (*vide* Adyal, Bhandara, district, Appendix E-XXVI) and here cattle, young and old, will be brought for sale to cultivators who require them, or in some tracts to the Kasai (butcher) for slaughter, although in many tracts Hindu sentiment is proving too strong for this latter class.

246. Sometimes the local bazar is also a grain market, where dealers come for purchase and wholesale export to the rail head (*vide* Barghat, Seoni district, Appendix E-LIII).

247. Sometimes *ghee* also may be purchased for export in the same way (*vide* Barodia and Shahgarh, Saugor district, Appendix E-XLVI and XLVII).

248. To the bazar nearly every one will go, sometimes from considerable distances in their country carts or *damnis*.

249. The womenfolk particularly will be there in large numbers, often decked out in their best clothes. They go not always to make purchases, but here they meet their friends, wander about and hear the latest gossip of the country side, and enjoy the weekly outing.

250. In fact, with the exception of occasional visits to the large religious fairs such as Burmanghat on the banks of the Nerbudda in Narsinghpur, or to marriages, etc., the weekly visit to the bazar village is one of the few outings which occur to break the monotony of village life.

251. In the tracts more cut off from the towns, grain is still the chief medium of exchange and the supply of money required for implementing the exchange of commodities at some of these bazars is sometimes surprisingly small. But the money changer, who changes silver into copper coins for a small charge, will still usually be found.

252. Some of these petty tradesmen reside in the bazar village if it is a big one, but nowadays, with improved communications, there are numerous petty grocers or hawkers who travel round to the various small bazars selling their wares and often purchasing small quantities of *ghee* and grain in exchange.

253. Thus the needs of the villager, food, grain, clothing, cattle, etc., were, and still can be, met in or near his village in the country side.

254. **The origin of the money and grain lender.**—When communications were poor and travel was dangerous, surplus grain sometimes was allowed to rot on the ground if there was a succession of good years, owing to the absence of demand for,

and means of, export of the surplus. But every one stored up as much surplus grain as he could for the bad years.

255. When the bad years came, sometimes famine resulted, but there were always some bigger men with larger stores than others, and so the smaller men borrowed from the big. We find in Mr. Jenkins' account of Maratha days, that the village patel was often required to make advances to cultivators to enable them to cultivate the land.

256. The local grocer, etc., began also to supply goods on credit.

257. The cultivator's income for the year comes after all at one time in one instalment, if he sows only one crop, and at the most in two half-yearly instalments if he sows both winter and rains crops.

258. Payment of dues are made at harvest, though commodities might be supplied to approved customers on credit in the intervening time.

259. The mahajan.—And so we come to the "Mahajan", the universal name by which any man of substance who does some grain or money lending is known in rural areas.

260. "Mahajan" means literally only the "great man". It was the "great man" with the larger supply of capital in grain or commodities who was able to, and who did, make advances to the small. As money and precious metals became more and more the ordinary medium of exchange and communications improved, the great man began to convert his surplus capital into cash or gold and silver, and lending in cash became more common. And so the indigenous system or rural finance was evolved.

261. In Chhattisgarh and in the backward parts of the Satpura plateau and elsewhere, where communications are either still bad or have only recently been improved, grain is still the main medium of exchange, and money debts, and indeed grain debts too, unless there has been a series of crop failures, are relatively insignificant.

262. Elsewhere in the more advanced tracts, particularly in the cotton zone, where money crops are more important, the system of exchange is far more developed, and a large percentage of the cultivators have a running cash credit or over-draft with their mahajan or sowkar, habitually taking advances throughout the year and repaying at harvest. The village of Poti in the Akola district (*vide* Appendix E-XV) provides an interesting example of this.

VII

The Modern Village.

263. The Modern Village.—Villages vary enormously in size and in the distribution of the various classes of the rural community; but we may conveniently examine a hypothetical village of area, population and distribution of the various classes

according to the provincial average for a village. The provincial average is as follows :—

	Acres.
Total area of a village	1,163
Total population of a village	354
(1) Landlord and rent paying cultivator in a village ...	186
(2) Farm labourers and agricultural servants in a village	104
(3) Others in a village	64

264. The "Others" or third Class.—The third class or "others" will consist of the village servants, artizans and suppliers of commodities and others who are not also cultivators or primarily agricultural labourers.

265. Although for purposes of fixation of wages the Government now only recognizes the village watchman and in some parts of Berar the mahars also as village servants, it is still customary almost throughout the province for the local artizans, etc., such as Lohar (black-smith), Barhi (carpenter), Charwaha (grazier), Barber, Dhobi, etc., etc., to receive at the time of harvest a regular contribution of grain per plough from each cultivator in return for their general services throughout the year to the village community.

266. There is also usually a village priest or purohit, who is supported by similar contributions, and the Garpagari. The ancestral duty of the Garpagari is to prevent hail storms, while the village purohit performs certain ceremonies at certain seasons. He also receives contributions at marriages, births, etc.

267. At the other end of the scale there are usually some village Chamars, tanners or leather workers, who belong to an untouchable caste. In many villages of the province it is their duty to remove the dead cattle and their right in return to take the skins. This right is also sometimes subject to the provision that they should supply the owner of the dead cattle with a pair of shoes every year. These skins they either manufacture into rough leather articles for sale or sell them uncured to professional hide merchants. In addition they collect the bones of dead cattle, which in Chhattisgarh particularly are sold in large quantities and provide a substantial income to these persons. This caste is usually in humble circumstances and is expected to help the village watchman and others in performing various odd jobs for the malguzars and big tenants free of charge. In many villages it is still their duty to pitch the tents of officials, who visit the village on tour, and to perform certain other duties which are known by the vague title of "begar".

268. There will also often be one or two houses of Kumhars or potters, who pay as a rule some fixed charge to the malguzar for the privilege of manufacturing from soil near the local streams or river earthen pots and in some cases bricks and tiles also. In many of the villages the Kumhar still receives a fixed contribution in grain per plough for the supply of these earthen utensils to the cultivators according to their requirements.

269. In some villages also Basors or Mangs occur, whose primary profession is the making of baskets and other articles

from bamboo, but who also supply the local village band. Their musical instruments are usually confined to drums of various sizes and lengthy wind instruments which produce unmelodious noises. These persons receive payment in kind in return for the performance of their duties as musicians on any festive occasion, and also sell baskets and *tuttas.*

270. In many villages Mahars or weavers are found. These persons manufacture the rough home-spun *dhoti* or *sari* for sale either in the village or in the local bazar, but they are not, however, necessarily communal village servants.

271. There may also be a family of Telis pressing out oil for sale, and when there is a liquor shop the local *Kalar* contractor of liquor.

272. In addition to these quasi-communal servants, artizans and purveyors of commodities, there will usually also be a local "mahajan" money-lender with his family, or a petty shop-keeper.

273. In the larger villages, particularly in the bazar villages, there may be several petty traders and money-lenders.

274. In approximately one village out of 20 there may be a village school with two or three schoolmasters with their families, while in a bigger village we shall also find some petty Government officials, such as the patwari, the Revenue Inspector, and, where there is a police station house, the usual Sub-Inspector and the police constables. The Government servants and schoolmasters, however, do not depend for their livelihood upon the outturn of the crops.

So much for the miscellaneous members of the village community.

275. **Farm labourers and agricultural labourers.**—We come next to the second class, the whole-time farm servants and agricultural labourers. The local distribution of the village community among the different classes will vary greatly in different villages and different tracts according to the character of the cropping and other local circumstances as is explained hereafter.

276. But according to the provincial average our average village will contain some 104 persons or some 21 families of the farm servant and agricultural labourer classes.

277. Some of these persons will be employed as whole-time servants of the malguzar and big tenants on varying wages, which are paid sometimes partly in cash but mainly in grain. Those who are not whole-time servants will support themselves mainly by what they earn as agricultural labourers in the agricultural season, usually receiving payment in grain, except in the cotton zone where wages are usually paid in cash.

278. The agricultural labourers will often also have their baris or small gardens and may supplement their earnings from labour by carting and in some cases by breeding of cattle, weaving, etc., etc.

279. **Rent-paying cultivators.**—We come next to the real rent-paying cultivator or tenant. According to the provincial average there should be 178 or 35½ families of this class in our average village, the landlords averaging 8 persons.

280. The status of the individual tenant will vary considerably, as is explained hereafter.

281. The big farmer.—In the ordinary village there will usually be found 2 or 3 big tenants or malik-makbuzas with substantial holdings which may in some cases extend in all to 100 acres or more. Many of these big tenants hold land in several villages, and are often of an economic status slightly if anything inferior to the ordinary malguzar. They usually live in well built houses with a considerable farmstock, carrying on their cultivation under their own personal supervision, with the help of a certain number of whole-time farm labourers supplemented by hired labour at certain seasons of the year.

282. Their standard of life will be above the average. They and their families will live in considerable comfort, having regard to the standard prevailing in rural areas, and will spend more upon their food and clothing than the small men.

283. They will often have a considerable amount of silver and gold ornaments (*vide* Malegaon, Nagpur district, Appendix E-XXV); the men will usually wear gold ear-rings of varying values, often a silver waist chain and silver bracelets, while the amount of gold and silver ornaments which the female members of the family may possess, depends upon the customs of the caste, their financial position and the recent economic history of the tract.

284. As is explained hereafter, gold and silver ornaments and cattle constitute the cultivators' principle reserve capital.

285. In years of continued crop failure much of this gold and silver will be sold. For instance, we found that in Saugor town (*vide* Appendix F-V) as a result of the two years' scarcity in the district, about 15 lakhs of rupees of gold and silver ornaments had been sold by cultivators last year.

286. They will usually have a good number of cows and she-buffaloes, from which they obtain a sufficient supply of milk for their own consumption; while in some parts of the province there is also a considerable trade in milk and *ghee*. From the Saugor district, for instance, some 40,000 maunds of *ghee* are annually exported by rail.

287. Some of the bigger tenants often also do a certain amount of petty money-lending, which consists usually of seasonal advances in grain and cash to the smaller tenantry. Sometimes they charge high rates of interest. They also sometimes finance their poor relatives at nominal rates of interest.

288. The average tenant.—More than half the tenantry, however, will be smaller men with holdings varying between some 10 and 30 acres of land according to the character of the local cultivation. A large number of cases will occur in which, although the holdings are sufficiently large to maintain the cultivator and his family, they are not so large as to make it necessary for him to employ hired labour for their cultivation, except

from bamboo, but who also supply the local village band. Their musical instruments are usually confined to drums of various sizes and lengthy wind instruments which produce unmelodious noises. These persons receive payment in kind in return for the performance of their duties as musicians on any festive occasion, and also sell baskets and *tuttas*.

270. In many villages Mahars or weavers are found. These persons manufacture the rough home-spun *dhoti* or *sari* for sale either in the village or in the local bazar, but they are not, however, necessarily communal village servants.

271. There may also be a family of Telis pressing out oil for sale, and when there is a liquor shop the local *Kalar* contractor of liquor.

272. In addition to these quasi-communal servants, artizans and purveyors of commodities, there will usually also be a local "mahajan" money-lender with his family, or a petty shop-keeper.

273. In the larger villages, particularly in the bazar villages, there may be several petty traders and money-lenders.

274. In approximately one village out of 20 there may be a village school with two or three schoolmasters with their families, while in a bigger village we shall also find some petty Government officials, such as the patwari, the Revenue Inspector, and, where there is a police station house, the usual Sub-Inspector and the police constables. The Government servants and schoolmasters, however, do not depend for their livelihood upon the outturn of the crops.

So much for the miscellaneous members of the village community.

275. Farm labourers and agricultural labourers.—We come next to the second class, the whole-time farm servants and agricultural labourers. The local distribution of the village community among the different classes will vary greatly in different villages and different tracts according to the character of the cropping and other local circumstances as is explained hereafter.

276. But according to the provincial average our average village will contain some 104 persons or some 21 families of the farm servant and agricultural labourer classes.

277. Some of these persons will be employed as whole-time servants of the malguzar and big tenants on varying wages, which are paid sometimes partly in cash but mainly in grain. Those who are not whole-time servants will support themselves mainly by what they earn as agricultural labourers in the agricultural season, usually receiving payment in grain, except in the cotton zone where wages are usually paid in cash.

278. The agricultural labourers will often also have their baris or small gardens and may supplement their earnings from labour by carting and in some cases by breeding of cattle, weaving, etc., etc.

279. Rent-paying cultivators.—We come next to the real rent-paying cultivator or tenant. According to the provincial average there should be 178 or 35½ families of this class in our average village, the landlords averaging 8 persons.

280. The status of the individual tenant will vary considerably, as is explained hereafter.

281. The big farmer.—In the ordinary village there will usually be found 2 or 3 big tenants or malik-makbuzas with substantial holdings which may in some cases extend in all to 100 acres or more. Many of these big tenants hold land in several villages, and are often of an economic status slightly if anything inferior to the ordinary malguzar. They usually live in well built houses with a considerable farmstock, carrying on their cultivation under their own personal supervision, with the help of a certain number of whole-time farm labourers supplemented by hired labour at certain seasons of the year.

282. Their standard of life will be above the average. They and their families will live in considerable comfort, having regard to the standard prevailing in rural areas, and will spend more upon their food and clothing than the small men.

283. They will often have a considerable amount of silver and gold ornaments (*vide* Malegaon, Nagpur district, Appendix E-XXV); the men will usually wear gold ear-rings of varying values, often a silver waist chain and silver bracelets, while the amount of gold and silver ornaments which the female members of the family may possess, depends upon the customs of the caste, their financial position and the recent economic history of the tract.

284. As is explained hereafter, gold and silver ornaments and cattle constitute the cultivators' principle reserve capital.

285. In years of continued crop failure much of this gold and silver will be sold. For instance, we found that in Saugor town (*vide* Appendix F-V) as a result of the two years' scarcity in the district, about 15 lakhs of rupees of gold and silver ornaments had been sold by cultivators last year.

286. They will usually have a good number of cows and she-buffaloes, from which they obtain a sufficient supply of milk for their own consumption; while in some parts of the province there is also a considerable trade in milk and *ghee*. From the Saugor district, for instance, some 40,000 maunds of *ghee* are annually exported by rail.

287. Some of the bigger tenants often also do a certain amount of petty money-lending, which consists usually of seasonal advances in grain and cash to the smaller tenantry. Sometimes they charge high rates of interest. They also sometimes finance their poor relatives at nominal rates of interest.

288. The average tenant.—More than half the tenantry, however, will be smaller men with holdings varying between some 10 and 30 acres of land according to the character of the local cultivation. A large number of cases will occur in which, although the holdings are sufficiently large to maintain the cultivator and his family, they are not so large as to make it necessary for him to employ hired labour for their cultivation, except

possibly at certain seasons of the year for certain special agricultural operations such as transplantation of rice in the rice tracts, the cutting and harvesting of wheat in the wheat tracts, and the weeding and picking of cotton in the cotton tracts. The amount of hired labour which these persons employ depends upon the personal industry of the cultivator himself.

289. **Small tenants with subsidiary employment.**—Next will come some quite small tenants with holdings, which are not strictly economic according to the recognized meaning of this expression in relation to agriculture. These persons, however, will not be wholly dependant for their maintenance upon the profits derived from their agricultural holdings. They will usually do a certain amount of agricultural labour themselves in the holdings of richer tenants at certain seasons of the year. They will often own carts and earn a certain income from carting, etc., while in those tracts which adjoin forests, they will also as a rule obtain a considerable income from the extraction of forest produce. This subject is discussed hereafter in this Chapter in relation to subsidiary sources of income. The Betul district provides an interesting example. A few of these men may be primarily agricultural labourers with nominal holdings of land. There will always be some families on the border line between these two classes.

290. **The malguzar.**—At the head of the village community is the malguzar in the malguzari villages, or the patel in the ryotwari villages of the Central Provinces and khalsa villages of Berar.

291. Some of the malguzars, particularly in the south of the province, may be big absentees holding large estates, such as Chitnavis, Butis and Ghatates in the Nagpur Division, *e.g.*, Sondar, Bhandara district (*vide* Appendix E-XXVIII). The management of these large estates is carried out through paid agents. The malguzar in these estates often confines his operations to the collection of rent and the financing of his tenants with cash and grain loans at high rates of interest.

292. At the other extreme we may find in some villages a large number of small co-sharers, petty landlords of a status no better than the small tenants, jointly owning a village. We may quote as instances, Bargi in the Sihora tahsil of the Jubbulpore district and Panjra in the Amarwara tahsil of the Chhindwara district (*vide* Appendix E-XLII and LXXIII) where economic surveys were made by us.

293. In some other cases the malguzari right has come into the hands of members of the non-agricultural classes. Many of the bigger money-lenders and indigenous bankers and of the bigger legal practitioners hold some landed property of this kind: *e.g.*, Surkhi (Saugor district), Abhana (Damoh district), Barodia (Raipur district), Pendari (Bilaspur district), and Wadner (Wardha district) surveyed by us (*vide* Appendices E-XLV, E-XLIX, E-LXXV, E-LXXIX and E-XXX, respectively.) These persons usually maintain a *hawaldar* or agent for the management of their affairs, and are usually absentees.

294. But in many parts of the province we still find a large number of resident malguzars who are genuine agriculturists. In villages of this kind the malguzar is often a person of considerable affluence. In the north of the province, *e.g.*, in the Narsinghpur district particularly, where it has been held that a larger proportion of resident malguzars performing those functions, for which malguzari rights were first created, still exist, the resident malguzar is still often the uncrowned king of his village or villages.

295. He will usually own a considerable area of home-farm, which as often as not will be the picked land of the village. He will carry on his cultivation with the help of agricultural servants or farm labourers, the number of whom depends upon the size of the area which he cultivates.

296. If he is a rich man he may often have a certain number of dependants and hangers on who accompany him carrying antiquated firearms when he goes out on ceremonial occasions. The height of his ambition is often the possession of an elephant.

297. The malguzar is very frequently one of the principal sources of finance to the tenants.

298. Rai Sahib Pandit Laxminarayan of Noni, witness No. 133, has expressed the view that only those malguzars and cultivators have accumulated wealth, who have combined money-lending with their agriculture. He expressed the opinion that money-lending was a more paying business than agriculture.

299. Although in the light of the experience gained in our intensive economic surveys of villages in all parts of the province we are unable to concede that it is impossible for a cultivator to become wealthy without doing money-lending, it is undoubtedly a fact that those malguzars who supply their tenants with short-term loans in grain and cash are often persons of considerable wealth, and a cultivator who has accumulated some capital usually does some money-lending also.

300. The malguzars have peculiar facilities for recovering their debts, and in addition to their profits from agriculture can obtain a considerable income from money-lending.

301. Mr. S. B. Gokhale, Advocate, Nagpur, witness No. 80, has laid stress on the point that the economic condition of a village depends very much upon the personal character of the malguzar.

302. If he is what is known as a good malguzar and has the interests of his tenants at heart, we shall still find existing in his village a large part of all that is good in the old patriarchal or feudal system; he will help his tenants in bad times with cash and grain, and will be the main pillar of economic stability in the village.

303. We may quote as examples the villages of Bitli and Pipariya (Narsinghpur district), Bakain, (Damoh district), Maharajpur (Saugor district), Pendari (Bilaspur district), Sukhtara (a

ryotwari village in the Seoni district) and Katangi (Bhandara district), etc., etc., surveyed by us (*vide* Appendices E-LXVI, E-LXVII, E-L, E-XLVI, E-LI, E-LXXVII and E-LXXIX, respectively).

304. On the other hand, if the malguzar is avaricious and has not the interests of his tenants at heart, he has many opportunities for enriching himself at their expense: *vide* Rajegaon (Balaghat district), Surkhi (Saugor district), Abhana (Damoh district), Pulsagor (Mandla district), etc., etc. (Appendices E-XXXVII, E-XLV, E-XLIX and E-LV, respectively.)

305. The basis of the malguzar's influence perhaps requires some explanation.

306. It will be remembered that the area held by malik-makbuzas and absolute-occupancy tenants is relatively very small when compared with the large area held in occupancy right. The occupancy tenant has not the right of transfering his land except to a co-sharer in the holding or to certain restricted heirs. If he desires to transfer his holding for a consideration to another cultivator, it is necessary to go through the formality of surrender to the malguzar, who then leases out the holding anew to the transferee. Land has often a high market value nowadays, and the malguzar has an opportunity of extracting a considerable portion of the transfer value of the land as his consideration for agreeing to this transaction.

307. Again although the malguzar is responsible for the payment of the land revenue, assessed approximately at 50 per cent of the malguzari assets, the collection of rent from his tenants is left to his own discretion. In cases where three years' rental arrears are outstanding he is entitled to apply to the revenue court for the ejectment of the tenant. The personal relations existing between the malguzar and individual tenants will often determine whether harshness or leniency is shown in rental collection.

308. The malguzar is also responsible for the management of the village waste land and forest area, as is explained above. The malguzar in practice can, and some malguzars habitually do, interfere with these rights in many ways; and the quiet enjoyment of his rights by the individual cultivator may depend much upon whether he is in the good books of the malguzar or not.

309. The malguzar as headman or the mukaddam of the village is also the person usually consulted by Government officials with regard to village matters. When crops are poor, it is sometimes to his interest not to recommend suspension of land revenue, which involves suspension of rents also, for the reason that the amount of land revenue due from him which is suspended, is usually considerably less than the amount of rental recoveries due to him which is also suspended in consequence.

310. The headman of the village as mukaddam also performs some other functions and has some other rights under the Land Revenue Act.

311. In addition long tradition and customs inherited from an age more feudal, coupled with the many methods whereby the big man consolidates his influence over the small, buttress the authority of the resident malguzar in rural areas.

312. It is not surprising that as a class the malguzars are a conservative body, generally old fashioned and averse to change.

313. We have ventured on this slight digression because the malguzar is undoubtedly a very important personage in rural areas, whose so-called vested interests will always have to be considered in any scheme for radical change in existing rural conditions.

314. The effect of the influence of the malguzar upon the life of the village community depends, as was rightly stated by Mr. Gokhale, upon his own personality. The malguzar, who is also a money-lender, may be able, as has been explained in our note on the Damoh district, to reduce his tenants, in course of time, to the position of mere bond slaves if he so desires. On the other hand, if his influence is beneficent there is no agency which can do so much for the economic advancement of his village.

315. The patels of Berar and ryotwari villages of the Central Provinces are often influential persons also, but their influence is usually not so definite as that of the malguzar of the old fashioned tracts, and depends more upon their wealth and social status.

VIII

Rural Economy.

316. Though 91 per cent of the total population reside in rural areas, 47 per cent only belong to the class of cultivating landlords and rent payers, and the whole cultivated area is divided up among them.

317. From their land is produced not only the total food requirements of the total population, both urban and rural, but also whatever agricultural produce is exported from the province, the value of which in 1928-29 including the cotton of the cotton zone, exceeded 23 crores of rupees.

318. The question is often asked as to how the remaining landless 44 per cent in rural areas support themselves.

319. It is also of interest to trace the course of the surplus agricultural produce from the rural areas to the towns for consumption there or export.

320. These and some other aspects of rural economy we now proceed to consider.

321. Throughout the province, the average household or family was found at last census, to consist of five persons, *i.e.*, two adults, two children and a fifth person, sometimes adult, sometimes adolescent, sometimes a child. Throughout this report, therefore, the "family" is used to signify an average family or household of five persons. This household or family of five is the unit of village economy.

322. The first need of the cultivator is to secure—
(*a*) the food and clothing of his family;
(*b*) his seed for sowing his land.

323. In the Raipur district of Chhattisgarh, in the scarcity of 1918-19, our Chairman found that even those cultivators who were showing some physical deterioration from shortage of food supplies, had nearly all set aside and stored the grain required for sowing their land at the next harvest.

324. It is true that, in many parts of the province particularly in the wheat zone, many cultivators habitually take advances of grain for seed, but this is, by established custom, the first repayment to be made at harvest.

325. Throughout the province, it will be found that every genuine cultivator, whatever other crops he may sow, will at least sow sufficient of the staple food grain to supply him with seed and food requirements.

326. The cultivator has next to pay the wages of whatever hired labour he many employ to assist his family in agricultural operations. The amount of hired labour employed varies not only with the size of the holding and the personal industry of the cultivator, but also with the nature of the crop and the local methods of agriculture.

327. The cultivator has also to make certain contributions to the village servants and artisans.

328. In the cotton zone, hired labour is nowadays largely paid in cash; but outside this zone, contributions to the village communal servants and artisans and the wages of hired agricultural labour are nearly always paid in grain.

329. The cultivator has also, from to time, to buy agricultural cattle to replace his stock, if he does not breed them himself, and also certain agricultural implements.

330. He has also to pay his rent.

331. His rent and the purchase of clothing and cattle will usually involve cash payments.

332. If he has borrowed money, repayments may be made in cash, but often in rural areas, payments are made in grain, the sowkar crediting the cash equivalent of the grain if the debt is a cash debt.

333. Grain advances for seed and maintenance are also common in the interior and these are repaid in grain.

334. It will be seen then that the requirements for seed and for the food of the cultivators and of the hired labourers whom he pays in kind, absorb a considerable portion of the outturn of the average cultivator's holding, and that a part only is marketed or converted into money.

335. In Chhattisgarh and in the more backward parts of the plateau zone and of Chanda, etc., grain is still the principal medium of exchange and cash requirements are few.

336. We may quote as an example that we found in Phulsagar, a village of the Nerbudda haveli only 10 miles from Mandla town on the Jubbulpore-Mandla first class road, that the agricultural labourers objected to being paid in cash and insisted on grain payments (*vide* Appendix E-LV).

337. In addition, according to age-long custom, most substantial cultivators and landlords endeavour to keep at least one year's grain supply in reserve. With the development of communications an increasing proportion of the agricultural produce is coming on the market and being converted into cash. In years of scarcity, improved communications now make it possible to transport food supplies as required to the area of distress; but the cultivator still wisely prefers to keep some grain in reserve whenever he can, and experience shows that the local reserves of food grain are, as a rule, sufficient to provide food supplies until the next harvest, in case of crop failure, unless there has been a succession of bad years or some special calamity. In the average village, in a year of good harvest, the grain pits and barns, if already depleted, are usually filled up with one year's reserve of food grain before the surplus is brought on the market.

338. We have stressed this point to explain that, with the exception of the money crops such as cotton, oilseeds, etc., which are grown purely for sale, the cultivator is less affected by fluctuations in prices of agricultural produce than might be expected. Although hereafter in this report we have converted his expenses for maintenance and costs of cultivation and the value of his gross crop outturn into their cash equivalent at normal wholesale prices for purposes of calculation, it should be remembered that a large portion of his expenditure is made in grain, and that only the surplus produce is marketed or converted into cash.

339. It should also be remembered that the ordinary cultivator makes most of his cash purchases in the local bazar village where he, as often as not, also markets his surplus grain. This is particularly the case in those areas most cut off through poor communications or long distances, from the towns.

340. This aspect of the case is of considerable importance in relation to "Marketing" discussed in Chapter VII.

341. In the course of our investigations, we have collected a mass of information with regard to various subjects connected with the economic life of the people. In our notes on individual village surveys and in separate notes which we have prepared for each district, we have marshalled the relevant facts of local importance, for each separate area.

342. We have felt it necessary, for the presentation of a correct picture of the internal economy of the province, to estimate, for each tract and each district, the normal cost of feeding and clothing the ordinary cultivator's family of five persons, and the normal cost of producing, and the value of the normal gross outturn of each crop.

343. We have also considered the extent of income from subsidiary sources.

344. We feel that we should not be justified in lengthening the report itself by a reiteration of those details which are primarily of local interest, and we have decided here to summarise only our conclusions. But any more detailed information, which may be required, upon any particular point, can be obtained by reference to the appendices.

345. It is desirable, however, that some aspects of the larger problems should be considered here.

IX

Cost of Maintenance.

346. **Cost of maintenance and of clothing the cultivator's family.**—The first requirement of the cultivator is to provide food and clothing for himself and his family for the year.

347. He will be required to make certain other expenditure during the year including occasional expenditure on marriages, funerals, etc., from time to time, but under the head "Maintenance" we confine ourselves to the food and clothing of the ordinary family of five persons.

348. In the course of our village economic surveys we have recorded in columns 18 and 19 of Form A (referred to in Chapter 1), *vide* Appendix D, the individual estimates of 7,581 families as to the cash equivalent of their normal annual expenditure in money and grain upon food and clothing.

349. We have discussed the question in the various notes on individual village surveys. Expenditure varies considerably according to the local standard of living, the local staple food grain and the status of the individual concerned.

350. We give below some typical estimates of various zones.—

351. **Cotton zone: staple food juar.**—Budget for the maintenance of the ordinary family of five persons per annum in Berar :—

	Rs.	a.	p.
4 seers juar per diem at the average price of 12 seers per rupee	120	0	0
10 kuros wheat	25	8	0
6 kuros rice	15	0	0
8 kuros dal	22	8	0
Sweet oil	15	0	0
Salt	2	0	0
Kerosene oil	8	0	0
Chillies and vegetables	15	0	0
Miscellaneous	10	0	0
Total food expenses ...	233	0	0

352. It should be noted that this included additional expenditure required for festivals and occasional visits of guests and costs of feasts. It should be also noted that the principal item, juar, is invariably produced by the cultivator in his own holding

and is not purchased. We have, however, valued it at the normal wholesale price at which we have also valued the crop outturn.

Clothing expenses.

		Rs.	a.	p.
One coat	... ...	4	0	0
Two pairs dhotis	... ...	4	8	0
Two dupattas	... ...	3	0	0
Four kurtas	... ...	5	0	0
One pagota	... ...	4	0	0
One pair shoes	... ...	2	8	0
Four saries	... ...	12	0	0
Cholis	... ...	2	0	0
Children	... ..	15	0	0
Total clothing	...	52	0	0
Grand total	...	287	0	0

353. The poorer classes will confine their diet to juar and will do less entertaining and will cut down their costs of clothing, while the richer people may use larger quantities of the various articles and may substitute *ghee* for oil and may add sugar and milk, although in many cases *ghee* and milk are produced from the cultivator's own cattle.

354. Wheat zone: staple food wheat.—

N. B.—The poorer members of the community live on kodon-kutki and juar.

Food.

		Rs.	a.	p.
Wheat 912 seers	... ...	104	0	0
Rice 80 seers	... ...	10	0	0
Dal 182 seers	... ...	30	0	0
Oil and chillis, etc.	... ...	25	0	0
Gur	... ...	6	0	0
Kerosene	...	4	8	0
Miscellaneous	... ...	15	0	0
Total	...	194	8	0

Clothing.

		Rs.	a.	p.
1 pair dhoti	... ...	4	0	0
4 kurtas	... ...	6	0	0
1 coat	... ...	4	0	0
1 dupatta	... ...	1	8	0
1 pair of shoes	... ...	2	8	0
3 saris	... ...	12	0	0
4 cholis	... ...	2	0	0
Children	... ...	12	0	0
Total	...	44	0	0
Grand total	...	238	8	0

355. Outside the haveli kodon-kutki and juar will be often substituted for wheat. In some tracts the expenditure will approximate to that of the Satpura zone, mahua and achar which are collected free in the jungle forming important articles of diet.

356. Satpura plateau zone.—Staple food grain, mixed, *i.e.*, kodon-kutki, juar, rice, with a certain amount of wheat in those families whose standard of living is above the average.

Food.

			Rs.	a.	p.
Kodon-kutki 365 seers	...	...	22	0	0
Juar 365 seers	...	...	32	0	0
Rice 182 seers	...	...	20	0	0
Dal 182 seers	...	...	27	0	0
Oil, salt, chillis	...	...	20	0	0
Kerosene	...	...	3	8	0
Gur	...	...	5	0	0
Miscellaneous	...	...	10	0	0
	Total	...	139	8	0

Clothing.

1 pair dhoti	...	...	2	8	0
1 dupatta	...	..	1	0	0
2 kurtas	...	...	2	0	0
1 bandi	...	...	1	8	0
1 pheta	...	...	1	8	0
2 lugras	...	...	7	0	0
4 cholis	...	...	2	0	0
1 pair shoes	...	...	2	8	0
1 blanket	...	...	4	8	0
Children	...	...	10	0	0
	Total	...	34	8	0
	Grand total	...	174	0	0

357. The Gonds in the uplands will spend less on clothing and will consume more kodon-kutki and less of the other articles. Their diet will be largely supplemented by mahua, etc., which they obtain free from the jungle. The cultivators of good status in the open tracts will use a considerable amount of wheat and will spend more, their expenses often approximating to those of the wheat zone.

358. In each district note (Appendices J-I to XVII) we have discussed local requirements and estimated the cash equivalent of the grain and money required for the maintenance of the average family.

359. The results may be summarized as follows:—

District and zone.	Number of rent-paying cultivators' families.	Cost of maintenance per family	Total for the district.
1	2	3	4
		Rs. a. p.	Rs.
Cotton Zone.			
1. Amraoti ...	55,347	287 0 0	1,58,84,589
2. Akola ...	64,866	287 0 0	1,86,16,542
3. Buldana ...	67,866	287 0 0	1,92,93,001
4. Yeotmal ...	53,789	287 0 0	1,54,36,869
5. Nimar ...	38,904	225 0 0	87,53,400
6. Wardha ...	29,059	240 0 0	69,74,160
7. Nagpur ...	44,049	225 0 0	99,11,025
Total for the Zone ...	3,53,235	260 12 0	9,48,69,586
	980		
Rice Zone.			
1. Raipur ...	1,59,075	180 0 0	2,86,33,500
2. Bilaspur ...	1,79,366	180 0 0	3,22,85,880
3. Drug ...	88,903	180 0 0	1,60,02 540
4. Balaghat ...	55,199	200 0 0	1,10,39,800
5. Chanda ...	56,975	200 0 0	1,13,95,000
6. Bhandara ...	65,304	200 0 0	1,30,60,800
Total for the Zone ...	604,822	185 9 0	11,24,17,520
Wheat Zone.			
1. Jubbulpore ...	56,609	225 0 0	1,27,37,025
2. Saugor ...	35,239	225 0 0	79,28,775
3. Damoh ...	23,335	225 0 0	52,50,375
4. Narsinghpur ...	25,848	250 0 0	64,62,000
5. Hoshangabad ...	33,111	240 0 0	79,46 640
Total for the Zone ...	174,142	231 3 0	4,03,24,815
Plateau Zone.			
1. Mandla ...	49,923	175 0 0	87,36,525
2. Seoni ...	36,679	200 0 0	73,35,800
3. Chhindwara ...	52,525	200 0 0	1,05,05,000
4. Betul ...	45,199	175 0 0	79,09,825
Total for the Zone ...	184,326	187 6 0	3,44,87,150
Total for the Province ...	1,316,525	214 0 0 in round figures.	28,20,99,071

360. It will be seen that our estimates vary for different districts, and sometimes vary for districts in the same zone. For instance, we have taken a figure of Rs. 287 for the Berar districts and Rs. 225 for Nimar which is also in the cotton zone. In Nimar there are considerable areas where the staple food is kodon-kutki and where the standard of living is much lower than in Berar. This has been explained in the district notes and no further explanation is required here.

361. It should, however, be remembered that these are average figures only. The big men whose standard of living is above the average will often spend more, while some of the poorer cultivators spend less. For the purpose of estimating the economic requirements of the province, however, we have at the conclusion of our enquiries adopted figures which we are satisfied are adequate for the maintenance and clothing of the average family of five persons in the different districts of the province according to the local standard of comfort prevailing.

362. It will be seen that, for the province as a whole, the cash equivalent of the grain and money required for the maintenance and clothing of the whole body of rent-paying cultivators who number 1,316,525 families in all comes according to our estimates to Rs. 28,16,02,406, *i.e.*, over 28 crores of rupees. The average for the province as a whole is Rs. 214 per family.

363. It is necessary to point out once more that a large proportion of this expenditure is in food grain; which is produced by the cultivator in his own holding. For the purposes of comparison we have converted this grain into its cash equivalent at the same rate as we have valued the gross crop outturn. Actually, however, the amount of cash expended by the cultivator is far less, particularly in the backward tracts, *e.g.*, the hinterland of Chhattisgarh, of the Satpura zone and of Chanda, etc., as is explained elsewhere.

364. Mr. V. S. Dhagat, Secretary, Central Bank, Damoh, who appeared before us as a witness (witness No. 108), expressed the opinion that the average cultivator obtained less to eat than the prisoner in jail. A number of witnesses in their written replies to our questionnaire or in their oral evidence have expressed similar views, and there is undoubtedly a widespread opinion that the average cultivator does not obtain enough from agriculture to provide him and his family with sufficient food.

365. We have referred elsewhere to the great variations in crop outturns from year to year, and there is no doubt that in years of poor harvest the outturn received by many cultivators is not sufficient to cover their expenses on maintenance, cultivation, and rent until next harvest.

366. But in estimating the ordinary requirements for maintenance and clothing we have not budgetted for a state of affairs

in which the average cultivator does not get enough to eat; or "gets less to eat than the prisoners in jail", to quote Mr. Dhagat.

367. It may be thought that in some cases our estimate is too high. There are certainly many families living on considerably less than Rs. 214 per annum or Rs. 18 per mensem. The agricultural labourer certainly lives on considerably less.

368. Our aim, however, has been to draw up a budget showing the income and requirements for expenditure in a normal year of the average cultivator according to the ordinary local standard of comfort prevailing in rural areas.

369. It should also be noted that this estimate for maintenance and clothing does not include other incidental expenditure, which is discussed hereafter.

370. Agricultural labourer.—The agricultural labourers' standard of living is much simpler than that of the average cultivator; for instance, they will not ordinarily use wheat, while their clothing requirements will be fewer. We have found many persons who were able to maintain themselves and their families on a wage of Rs. 10 per mensem and we shall be on very safe ground if we take Rs. 150 as the average amount in cash and grain required for the food and clothing of the average family of agricultural labourers and farm servants for the province as a whole. In Berar of course they will spend more, while in some places they will spend less.

X

Costs of Cultivation.

371. Expenses of cultivation.—We come next to the equally important item "expenses of cultivation", *i.e.*, the costs of producing the crop.

372. We have made careful enquiries into this difficult question in our village surveys and have recorded the estimates of a large number of cultivators in all parts of the province, as is explained in the village economic survey notes.

373. We have also examined a number of other witnesses on the subject.

374. At the conclusion of our enquiries we have framed estimates of the average cost of producing each separate crop per acre for each district in the district notes (Appendices J-I to J-XVII).

375. It will suffice to summarise the results for the province in the following statement :—

District and zone.	Total gross cropped area.	Total double cropped area.	Total net cropped area.	Total amount required for producing crops.	Average per cropped area.
1	2	3	4	5	6
	Acres.	Acres.	Acres.	Rs.	Rs. a. p.
COTTON ZONE—					
Amraoti ..	1,653,789	4,871	1,648,918	1,71,86,032	10 6 0
Akola ...	1,909,947	7,013	1,902,934	2,01,94,772	10 8 0
Buldana ...	1,656,943	20,125	1,936,818	1,48,53,525	9 0 0
Yeotmal ...	1,736,909	3,200	1,733,409	1,45,83,306	8 8 0
Nimar ...	973,176	20,748	952,428	75,70,060	8 0 0
Wardha ...	1,028,669	2,661	1,026,088	97,57,325	9 8 0
Nagpur ...	1,329,801	9,294	1,320,507	1,17,36,470	9 0 0
Total ...	10,288,934	67,912	10,221,022	9,58,81,490	9 8 0
WHEAT ZONE—					
Jubbulpore ..	1,079,978	128,850	951,328	94,68,575	10 0 0
Saugor ...	992,236	42,810	949,426	79,43,661	8 8 0
Damoh ...	563,451	37,335	526,116	46,75,457	9 0 0
Narsinghpur	611,699	25,063	588,636	48,63,694	8 8 0
Hoshangabad	944,324	16,483	932,841	80,66,370	8 8 0
Total ...	4,191,688	243,541	3,948,347	3,49,57,751	8 12 0
RICE ZONE—					
Raipur ...	2,654,627	554,443	2,100,184	2,38,04,672	11 0 0
Bilaspur ...	2,173,641	451,448	1,722,193	1,77,11,729	10 8 0
Drug ...	1,849,725	430,732	1,418,993	1,47,93,012	10 8 0
Balaghat ..	741,320	193,291	548,029	72,91,903	13 8 0
Chanda ...	957,569	56,154	901,415	89,82,067	10 0 0
Bhandara ...	1,035,570	228,202	807,368	1,03,79,156	13 0 0
Total ...	9,412,452	1,914,270	7,498,182	8,29,62,544	11 8 0
PLATEAU ZONE—					
Mandla ...	835,852	101,730	734,122	51,61,913	7 8 0
Seoni ...	786,058	45,029	741,029	64,74,906	8 8 0
Chhindwara...	1,062,823	44,489	1,018,334	74,70,514	7 8 0
Betul ..	798,288	46,020	752,268	60,32,278	8 0 0
Total ...	3,483,021	237,268	3,245,753	2,51,39,611	7 14 0
Total for the province as a whole.	27,376,095	2,462,991	21,913,304	23,89,41,402	9 6 0

376. Certain points require explanation. We have already considered the costs of maintenance and clothing under an entirely separate head. Later, we separately consider expenditure on rent as a separate item.

377. In our estimates of the expenses of cultivation we have therefore not included either the rent or the wage equivalent of the cultivator and his family, as is sometimes done in case of some estimates of the costs of cultivation prepared for other purposes.

378. The expenses of cultivation under the present head include—

(1) The seed.
(2) The average annual depreciation on the capital price of agricultural cattle and implements.
(3) Expenditure on cattle fodder.
(4) Wages of hired labour and contributions to the various quasi-communal village servants.

379. We need not repeat here all that has been written on this subject in the village survey and district notes.

380. It should be noted, however, that cultivators usually grow more than one crop in their holdings, *e.g.*, in the cotton zone arhar is generally sown mixed with the cotton and mung-urad mixed with the juar, while in the ordinary holding both juar and cotton are grown; again in the rice zone large areas are double-cropped, linseed, teora, batra, mung, etc., being grown in the same field as a double-crop over rice.

381. The cultivators' estimates of expenses of cultivation and of crop outturn, which we have discussed in the village survey notes, are usually for the mixed crop of the whole of his holding, some of which is often in resting fallow.

382. For the purpose of our budget of expenditure and income it has been necessary for us in preparing our estimates in the district notes to show the expenditure and value of the gross outturn per acre for the actual area sown with each crop.

383. For instance, in Chhattisgarh the estimated average expenditure for irrigated rice is Rs. 12 per acre and for teora, batra, etc., Rs. 5 per acre. That is to say in the large areas double-cropped with both rice and teora, batra, etc., we have estimated the costs of cultivation at Rs. 17 per acre, and so on and so on.

384. This point is of particular importance in considering the gross crop outturns hereafter.

385. The item of annual depreciation on the capital price of agricultural cattle and implements perhaps requires some explanation. We may explain by examples. In the cotton zone,

where under the local system of cultivation one pair of bullocks costing Rs. 160 with a working life of, say, eight years, suffices for the cultivation of 20 acres and where cattle epidemics are relatively rare, the annual depreciation per acre of land cultivated would be Rs. 160 (8 × 20), or Re. 1 per acre. In Chhattisgarh, to quote another example, where both bullocks and he-buffaloes are used for biasi rice cultivation, and cattle mortality through epidemics is very heavy, the annual depreciation may work out at Re. 1-8-0 per acre (*vide* note on Charra, a village near Karud, Dhamtari tahsil, Raipur district, *vide* Appendix E-LXXVII). A cultivator with a large holding and farmstock may annually replace some of his farmstock, but the ordinary cultivator with one pair of bullocks will only replace them when they die or become too old to work. He may then be required to expend a sum which for him may be comparatively large, and may often require a loan for the purpose as is explained hereafter. In fact, in Chhattisgarh, as is explained elsewhere, the purchase of cattle is the main cause of whatever indebtedness exists among the cultivators.

386. Although, therefore, for the purpose of calculating the averages over large areas, the annual capital depreciation on the cost of cattle must be included in the annual average cost of cultivation, it should be noted here that the expenses of the individual cultivator under this head are not necessarily spread out as annual charges, but often occur in lump sums from time to time.

387. It should also be noted here, as is explained hereafter, that although in all cases, we have included the average capital depreciation on the price of bullocks, in our estimate of the cost of cultivation, a large number of cultivators breed their own cattle and do not buy cattle at all, whereas those cultivators who buy usually buy from other cultivators; and, therefore, in considering the question of subsidiary incomes hereafter we have considered the income from the breeding and sale of cattle. It will be remembered that practically all the agricultural cattle of the province are bred in rural areas inside the province.

388. Our estimates for each particular crop in each locality, which are given in the district notes attached in Appendix J, have been prepared after very careful enquiry and cross-checking. Here too we deal with averages. We have estimated the average expenses of an average cultivator. Individual cultivators who do all their agricultural operations themselves with the minimum of, or entirely without, hired labour will spend less and often much less, while those who depend entirely upon hired labour and hired cattle will spend more and often considerably more than the amount estimated by us. But there is no doubt that our estimates will cover the expenses of the average cultivator and will give a very safe basis for calculating the general expenditure upon producing the crops in each district and zone and in the province as a whole.

389. Here too it must be remembered that a large part of this expenditure, *e.g.*, seed and the wages of labour outside the

cotton zone, is made in grain. Here too, however, for purposes of comparison we have converted all expenditure into its cash equivalent at the same rates as we have valued the gross crop outturn.

390. It will be seen that for the province as a whole, the cash equivalent of the costs of cultivation for all kinds of crops, from kodon-kutki to sugarcane, works out at a total of Rs. 23,89,41,402 and an all round average of Rs. 9-6-0 per net-cropped acre, though it varies from Rs. 3 per cropped acre for kodon-kutki in the jungly tracts to Rs. 80 per acre for sugarcane.

391. Our calculations show that out of this sum for the province as a whole, approximately Rs. 5 per acre comes under the heading of wages of hired labour. The bill for the wages of hired labour varies greatly according to the system of agriculture and is particularly heavy in the cotton zone and for rice cultivation.

392. The cost of cultivation of cotton, rice and wheat do not differ as much as might be expected, having regard to the difference in the amount of agricultural labour involved. This is due to the difference in the price of seed. In wheat cultivation, the price of seed is the principal item. In rice cultivation, the price of seed, though less than that of wheat, is still important In cotton and juar cultivation, the price of seed is a relatively insignificant item of expenditure, although the wages bill is higher.

393. Before proceeding further, we may note here that the total gross cropped area of the province is 27,376,095 acres and that according to our estimates the bill for the wages of hired labour in a normal year in the province as a whole amounts to Rs. 13,86,80,475 as against 889,971 families of farm servants and agricultural labourers. This gives an average of Rs. 151 per family as wages in cash and grain, but it must be remembered at the same time that a certain portion of the wages of hired labour, particularly in Chhattisgarh, is paid to the cultivators with small holdings who also do a certain amount of agricultural labour in the fields of bigger cultivators.

XI

Rent.

394. **Rent.**—The next item for consideration is the rent and, in the relatively small areas irrigated from State irrigation works, the water rate. The rent-rate per acre varies very greatly throughout the province, mainly according to the quality of the soil and the demand for land; but in the course of our intensive enquiries we also found considerable differences in rent-rates which could not be justified on these grounds, and which are said to be largely due to historic reasons.

395. Taken as a whole, however, although the acreage rate may vary from 2 annas to Rs. 5 per acre in the best havelis, the average all round rate, of rent on the tenants in the Central Provinces, and of land revenue on the cultivators of Berar, works

out at Rs. 1-0-2½ per acre, the total demand being exhibited in the following statement :—

District and zone.	Total rent and revenue,	Total area held by cultivators.	Average per acre.
1	2	3	4
	Rs.	Acres.	Rs. a. p.
Cotton Zone—			
Amraoti ...	30,60,776	1,834,231	1 10 0
Akola ...	31,29,966	2,217,624	1 7 0
Buldana ...	25,50,522	1,948,790	1 5 0
Yeotmal ...	12,06,310	2,299,599	0 8 0
Nimar ...	8,48,597	1,100,412	0 13 0
Wardha ...	10,96,610	941,133	1 2 0
Nagpur ...	19,32,756	1,366,480	1 5 0
Total ...	1,38,50,007	11,708,269	1 3 0
Rice Zone—			
Raipur ...	12,84,793	2,047,058	0 10 0
Bilaspur ...	9,74,558	1,597,227	0 9 0
Drug ...	9,96,974	1,276,167	0 12 0
Balaghat ...	6,89,664	615,362	1 0 0
Bhandara ...	10,10,311	827,634	1 5 0
Chanda ...	8,80,765	1,177,096	0 12 0
Total ...	5,837,065	7,540,544	0 12 0
Wheat Zone—			
Jubbulpore ...	15,31,150	1,182,813	1 5 0
Saugor ...	13,51,682	1,052,094	1 6 0
Damoh ...	7,34,939	626,109	1 2 0
Narsinghpur ...	11,65,124	613,045	1 15 0
Hoshangabad ...	14,07,406	970,316	1 9 0
Total ...	61,90,301	4,443,377	1 4 0
Plateau Zone—			
Mandla ...	4,32,542	1,126,696	0 6 0
Seoni ...	6,84,784	847,148	0 12 0
Chhindwara ..	7,06,206	1,089,652	0 10 0
Betul ..	5,64,330	1,056,706	0 7 0
Total ...	23,87,862	4,120,202	0 7 0
Total for the province as a whole.	2,82,40,765	27,812,392	1 0 2½ or say Re. 1 in round figures.

XII

THE VALUE OF THE CROPS.

396. Gross outturn.—We may now proceed to consider the other side of the agriculturist's balance sheet, *viz.*, the gross crop outturn.

397. Here too our estimates are average figures for each particular tract as a whole. Undoubtedly inside each tract, some holdings and fields will normally produce more and others less than the average deduced by us for the whole, according to the quality of the soil, the methods of agriculture and the personal efficiency of the individual cultivator.

398. The uncertainty of agriculture.—The question is again obscured by the great variations in outturn from year to year according to the character of the monsoon.

399. All over the world agriculture may be said to be an uncertain industry. In other industries, we may be assured that the application of a certain process to certain raw materials will produce a definite quantity of a certain finished article, although the value of that finished article will of course vary according to the rise and fall in prices.

400. But in agriculture no such certainty exists and, although the same agricultural processes may be completed from year to year, the quantity and quality of the outturn will vary annually according to climatic conditions prevailing during the period of growth of the crops.

401. In a tropical country and particularly in India, where the success of the harvest so greatly depends upon the amount and distribution of rainfall during the monsoon, the annual variations in crop outturn may often be extreme.

402. Annually the Central Provinces Government, after enquiries by the Land Record staff, estimate for each district the quantity of the outturn of the various crops in annas and in American notation, 13.3 annas and 100 American notation being taken to signify a normal or average crop. These annual estimates are recorded in the B Volumes of the District Gazeteers, and a reference to any of these volumes will show at once how greatly the crop outturns vary from year to year. It is therefore a matter of considerable difficulty to arrive at a figure representing a fair average, for whatever figure we may take as representing the average or normal outturn, it is certain that over a cycle of years, in many years the outturn may be greater or less. This question of the uncertainty of agriculture in India, which is the dominating factor in the whole of our rural

economy, is dealt with at greater length in Chapter IV, wherein the causes of indebtedness are discussed.

403. We note, however, here in passing that we have given full regard to this question in arriving at estimates of the average outturns of the various crops in each district.

404. It is also necessary to stress the point as early as possible that the history of agriculture shows that, excluding those years of extreme calamity and abnormal bumper harvest, it is quite probable that over a cycle of ten years in not more than two years will the outturn be exactly normal, varying from year to year between, say, 10 annas and 16 annas, *i.e.*, between 25 per cent below and 25 per cent above the average or the normal crop.

405. Cash value of the crops.—In estimating the value of the normal gross outturn, we have adopted what is known in the Government season and crop reports as the normal price, that is to say, the average wholesale price prevailing over a number of years, and have ignored any special variations in the present year, with the exception of the important cotton crop, for which we have taken the price current at the end of March. We have done this, because the average of recent years would produce a figure higher than it is safe to hope for in future, as is explained in the note on Berar and elsewhere. It appears, however, from the latest figures that the price of cotton is still falling.

406. We have also explained in the note on Berar, how-as a result of the fall in cotton prices more or less to the pre-war level, the net profits from the cultivation of cotton after deducting cultivating expenses, over considerable areas of lighter soils recently brought under cotton, must at present be extremely small, while the profits per acre from the cultivation of rice in the rice zone and of wheat in the wheat zone at present prices and even of juar in many parts of the cotton zone are certainly greater than those of the average profits from the cultivation of cotton.

407. We are fortunate in having been able to check our estimate of normal rice outturns in Chhattisgarh from an examination of the food requirements and the amount of export, as is explained in the note on Chhattisgarh (Appendix J-XVII and in paragraph 114 of this Chapter), while in Berar we have had the equally valuable check of the amount of cotton bales pressed in the local cotton presses.

408. It is not necessary here to reiterate in detail all those questions of local importance which have been separately discussed in the separate district and village notes. It will suffice to

exhibit below the value of the gross crop outturn in a normal year for each district and zone and for the province as a whole :—

Zone and District.	Value of gross crop outturn of all crops.	Total gross cropped area.	Double cropped area.	Net cropped area.	All-round average per net cropped acre.	Total occupied area.	Average outturn per occupied acre.
1	2	3	4	5	6	7	8
	Rs.	Acres.	Acres.	Acres.	Rs. a. p.	Acres.	
COTTON ZONE.							
Amroti ...	5,12,92 790	1,653,789	4,871	1,648,918	31 0 0	1,834,231	28
Akola ..	5,99,01 811	1,909.947	7,013	1,902,934	31 0 0	2,217,624	27
Buldana ..	4,72,15,119	1,656,943	20,125	1,636,818	28 8 0	1,948,790	24
Yeotmal ...	4,53,20,446	1,736,609	3,200	1,733,400	26 0 0	2,299,599	20
Nimar ...	2,62,65,317	973,176	20,748	952,428	28 0 0	1,187,106	22
Wardha .	3,04,59,194	1,028,669	2,661	1,026,008	30 0 0	1,182,641	26
Nagpur ...	4,00,76,445	1,329,801	9,294	1,320,507	30 0 0	1,636,740	24
Total ...	30,05,31,122	10,288,934	67,912	10,221,022	29 4 0	12,306,731	24
RICE ZONE.							
Raipur ...	7,86,52,074	2,654,627	554,443	2,100,184	37 0 0	2,607,075	30
Bilaspur ...	6,27,94,434	2,173,641	451,448	1,722,193	36 8 0	2,016,709	31
Drug ...	5,05,93,947	1,849,725	430,732	1,418.993	35 12 0	1,765,338	28
Balaghat ...	2,66,77,626	741,320	193,291	548.029	48 8 0	1,733,310	36
Chanda ..	3,12,73,565	957,569	56,154	901.415	34 12 0	1,311,020	24
Bhandara ...	3,74,29,636	1.035,570	228,202	8,073,686	46 0 0	1,018,160	37
Total ...	28,74,21,282	9,412,452	1,914,270	7,498,182	39 12 0	9,451,612	34
WHEAT ZONE.							
Jubbulpore ...	3,14,43,864	1,079,978	128,850	951,128	33 0 0	1,409,546	22
Saugor ...	2,63,99,217	992,236	42,810	949,426	27 0 0	1,265,086	21
Damoh ...	1,54,68,496	563,451	37,335	526,116	29 0 0	756,121	20
Narsinghpur ..	1,85,65,216	661,699	23,063	588,636	32 0 0	741,533	25
Hoshangabad	2,62,04,588	944,324	11,483	932,841	26 0 0	1,215,278	20
Total ...	11,80,81,381	4,191,888	243,541	3,948,347	29 6 0	5,387,564	22
PLATEAU ZONE.							
Seoni ...	2,11,06,997	786,058	45,029	741,029	28 8 0	1,063,407	20
Mandla ...	1,88,33,823	835,852	101,730	734,122	25 8 0	1,215,262	16
Chhindwara ...	2,67,53,338	1,062,823	44,489	1,018.334	26 0 0	1,332,106	20
Betul	1,89,70,727	798,288	46,020	752,268	25 0 0	1,172,437	16
Total ..	8,56,64,885	3,483,021	237,268	3.545,733	26 4 0	4,783,212	18
Total for the province as a whole.	79,16,98,670	27,376,295	2,462,991	24,913,304	31 2 0	31,929,119	24

409. It will be seen that the value of the gross crop outturn for the province as a whole comes to Rs. 79,16,98,670.

410. Marketing.—Throughout these estimates agricultural produce has been valued at the normal or average wholesale price in the wholesale market as has been explained above.

411. The cultivator, however, does not necessarily receive this price for the produce which he sells.

412. We have discussed this question in greater detail in Chapter VII on marketing. In Berar the various deductions in the cotton market have been estimated at not exceeding 5 per cent of the value of the produce. Those who reside at long distances from the wholesale market will receive lower prices owing to the costs of transport. In Berar, however, most cultivators bring their own produce to the markets. In various parts of the province the price which the cultivator may obtain for his produce may vary between, say, 5 per cent and in the most inaccessible tracts 25 per cent below the price in the wholesale markets.

413. However, as has been already explained, only a portion of the gross outturn is sold. In Berar practically all the cotton is brought on the market, while most of the food grains are retained for food, etc. In Berar about half the average cultivators' crop consists of cotton. It may be assumed, therefore, that he sells about half his total gross outturn. The price which he will obtain may vary between, say, 5 per cent and 15 per cent below the wholesale market price according to the distance of the nearest wholesale market. The average will not be more than 10 per cent below the wholesale market rate.

414. As he sells about half his total crop outturn, we shall be on safe ground if we estimate the cash equivalent to him of the value of his total gross outturn at 5 per cent below the normal wholesale market price.

415. In other districts the surplus produce marketed usually represents a much smaller portion of the gross outturn. We have explained how the wages of labour are largely paid in grain. The cultivator's food, seed and much of his expenses of cultivation will absorb a large portion of his gross outturn, and the surplus brought on the market will often represent quite a small fraction of the whole. This is particularly the case in those tracts where grain is still an important medium of exchange. We have considered this question and also the question of communications for each district in making a corresponding deduction from the value of the gross crop outturn under the head of marketing expenses for each district, as is explained in the district notes.

416. After these deductions the total value of the gross crop outturn and the average value per occupied

acre for each district and zone and for the provinces as a whole stand as follows :—

Zone and district.	Value of gross outturn of all crops.	Deduction for cost of marketing.	Balance.	Total occupied area.	Average per occupied area.
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Acres.	Rs. a. p.
COTTON ZONE.					
Amraoti ...	5,12,92,790	25,64,639	4,87,28,151	1,834,231	26 8 0
Akola ...	5,99,01,811	29,95,090	5,69,06,721	2,217,624	25 8 0
Buldana ..	4,72,15,119	23,60,756	4,48,54,363	1,948,790	23 4 0
Yeotmal ...	4,53,20,446	22,66,023	4,30,54,423	2,299,599	19 6 0
Nimar ...	2,62,65,317	13,13,266	2,49,52,051	1,187,106	21 0 0
Wardha ...	3,04,59,194	15,22,959	2,89,36,235	1,182,641	24 7 0
Nagpur ...	4,00,76,445	20,03,823	3,80,72,622	1,636,740	23 4 0
Total cotton zone	30,05,31,122	1,50,26,556	28,55,04,566	12,306,731	23 0 0
RICE ZONE.					
Raipur ...	7,86,52,074	39,32,603	7,47,19,471	2,607,075	28 10 0
Bilaspur ...	6,27,94,434	31,39,722	5,96,54,712	2,016,709	29 9 0
Drug ...	5,05,93,947	25,29,697	4,80,64,250	1,765,338	27 0 0
Balaghat ...	2,66,77,626	13,33,881	2,53,43,745	733,310	34 8 0
Chanda ...	3,12,73,565	31,27,356	2,81,46,209	1,311,020	21 8 0
Bhandara ...	3,74,29,636	18,71,482	3,55,58,154	1,018,160	34 14 0
Total rice zone ..	28,74,21,282	1,59,34,741	2,714,86,541	9,451,612	28 12 0
WHEAT ZONE.					
Jubbulpore .	3,14,43,864	15,72,193	2,98,71,671	1,409 546	21 0 0
Saugor ...	2,63,99,217	13,19,962	2,50,79,255	1,265,086	19 12 0
Damoh ...	1,54,68,496	773,424	1,46,95 072	756,121	19 6 0
Narsinghpur ...	1,85 65,216	464,130	1,81,01,086	641,533	28 3 0
Hoshangabad ...	2,62,04,588	655,115	2,55,49,473	1,215,278	21 0 0
Total wheat zone...	11,80,81,381	4,784,824	11,32,96,557	5,387,564	21 0 0
PLATEAU ZONE.					
Mandla ...	1 88,33,823	18,83,382	1,69,50,441	1,215,262	13 15 0
Seoni ...	2,11,06,997	21,10,699	1,89,96,298	1 063,407	17 14 0
Chhindwara ..	2,67,53,338	26,75,333	2,40,78,005	1,332,106	18 1 0
Betul ..	1,89,70,727	18,97,072	1,70,73,655	1,172,437	14 9 0
Total plateau zone	8,56 64,885	85,66,486	7,70,98,399	4,783,212	16 2 0
Total for the province.	79,16,98,670	4,43,12,607	74,73,86,063	31,929,119	23 6 0

417. Average net outturns on the whole cultivated area, including resting fallows.—Although for the purposes of our economic survey our calculations have been based on the costs of producing, and the value of, the normal gross outturn per acre cropped, these figures may possibly give a misleading idea with regard to the profits of agriculture unless we draw attention to the fact that there are always considerable areas of fallow land, not actually sown, in the area occupied for cultivation, these fallow

areas varying much according to the character of the cultivation and the quality of the soil.

418. For instance, a cultivator may hold 30 acres of land upon all of which he will pay rent, although he may actually only sow 25 acres. To make this point clear we have shown in the above statement the average gross outturn per occupied acre, and in the following statement we now show the net balance per acre for the whole area occupied for cultivation after deducting the costs of producing the crop and expenses of marketing. This gives a truer picture of the income from agriculture in the various districts :—

District and zone.	Average net outturn per occupied acre after deducting the cost of cultivation and marketing.
	Rs. a. p.
Cotton Zone.	
1. Amraoti	17 2 3
2. Akola	16 2 3
3. Buldana	14 3 3
4. Yeotmal	13 6 0
5. Nimar	13 14 9
6. Wardha	16 12 0
7. Nagpur	15 10 0
Total ...	14 15 0
Rice Zone.	
1. Raipur	20 2 8
2. Bilaspur	21 12 9
3. Drug	18 3 9
4. Balaghat	24 10 0
5. Chanda	14 7 3
6. Bhandara	25 9 3
Total ...	21 3 0
Wheat Zone.	
1. Jubbulpore	17 1 0
2. Saugor	12 9 0
3. Damoh	13 8 0
4. Narsinghpur	18 12 0
5. Hoshangabad	14 5 0
Total ...	14 13 0
Plateau Zone.	
1. Mandla	9 14 0
2. Seoni	13 14 3
3. Chhindwara	14 5 6
4. Betul	9 7 3
Total ...	11 6 0
Grand total ...	15 2 0

XIII

PROVINCIAL AGRICULTURAL BALANCE SHEET.

419. We may now return to our provincial budget of normal income and expenditure and consider the financial position of the various classes.

X62.271.N3L
60.1

420. Landlords.—The zamindars and jagirdars are usually men with large estates consisting of a number of villages from which they derive large incomes. It is not necessary for the purposes of this report to discuss their financial condition further.

421. Landlords or malguzars of the Central Provinces.—There are in all 26,827 malguzari villages in the Central Provinces. The figures of the census returns show that on an average there are between 1 and 2 families of malguzars per village, the actual average being between these two figures. The average area of home-farm per malguzari village of the Central Provinces is 120 acres.

422. The landlord pays no separate rent, as this is included in the calculation of the malguzari assets and revenue. The total amount of malguzari land revenue paid to Government in the Central Provinces is Rs. 1,17,89,182 and the total amount of rent and revenue recovered by landlords in the Central Provinces from tenants and malik-makbuzas is Rs. 1,78,44,921, leaving a net surplus to the malguzari body of Rs. 60,55,139 or Rs. 226 on an average per village.

423. We have already explained that some landlords hold large estates consisting of a number of villages, while at the other extreme we sometimes find a large number of petty co-sharers in a single village. But for the province as a whole it will be clear that the average malguzar obtains a satisfactory income, the profits of 120 acres of home-farm *plus* Rs. 226 cash income being divided between approximately 1½ families. In addition most malguzars have grain and money-lending business, from which they often derive a considerable income. We have discussed these matters in Chapter IV, and no further discussion is required here.

424. Rent-paying cultivators of the Central Provinces and Berar.—We have explained above that the total cost of maintenance of the 1,316,525 families of rent-paying cultivators in the Central Provinces and Berar amounts to Rs. 28,20,99,071, while the average cost of cultivating the land which they hold amounts to Rs. 20,72,34,060 and the rent or revenue which they pay amounts to Rs. 2,82,40,765 total Rs. 51,75,73,896.

425. The value of the gross outturn of the total area held by them in a normal year after making deductions for marketing expenses comes to Rs. 64,81,75,401, leaving in a normal year a net balance of Rs. 13,06,01,505, divided between the 1,316,525 cultivating families or approximately Rs. 99 per family. We have alluded previously to the great variations in crop outturns, it is therefore of importance to note that when the crop outturn falls to 25 per cent below normal, *i.e.*, to a 10 annas crop, the value of the gross crop outturn will be reduced by Rs. 16,20,43,850, leaving a deficit for the province as a whole of Rs. 3,14,42,345 or approximately Rs. 23 per cultivating family.

426. In the district notes we have exhibited the income and expenditure under each head for each district separately, and it is not necessary to repeat in this report what is written therein.

427. In considering the economic position for the province as a whole, we are concerned more with the total income available for distribution between the rent-paying cultivators as a whole, and throughout are dealing with averages. We have, however, already explained that there are great variations in the size of holdings of individual cultivators, that is to say, that the land is not evenly distributed among them.

428. Average holding.—Before proceeding further, it is therefore necessary to discuss the very difficult and complicated question of the average holding.

429. The average holding must not be confused with the so-called "holding" exhibited by the Land Records Department in the land record papers.

430. The Land Records Department recognizes as a separate holding each parcel of land separately entered as such in the village papers or jamabandis.

431. The total number of holdings in the Central Provinces (excluding Berar) separately classed as such by the Land Records Department and their total areas are as follows:—

Right.	Number of holdings.	Total area.
1	2	3
		Acres.
Malik-makbuza	88,252	749,421
Absolute-occupancy	266,201	2,163,777
Occupancy	1,785,677	15,152,121
Raiyatwari	190,724	1,421,780
Total ...	2,330,854	19,487,099

432. The average size of these holdings therefore comes to 8½ acres and some persons who appeared before us as witnesses, and in fact some of those who tendered evidence before the Royal Commission on Agriculture, based their estimate of the size of the average holding on these figures.

433. This was due to a misunderstanding. As a matter of fact there were at last census only 993,635 families of rent-paying cultivators in the Central Provinces proper as compared with 2,330,854 Land Record holdings.

434. In fact for estimating the area of the average holding of the average family, the so-called land records holdings cannot serve as a guide.

435. A cultivator often holds at the same time malik-makbuza, absolute-occupancy and occupancy land, each of which parcel would be separately recorded in the land records

papers as a separate holding while many cultivators hold land in more than one village; with the result that the total number of so-called land records holdings is very much greater than the total number of actual cultivators.

436. The following statement shows the average area per average family of cultivators in each district and zone and for the province as a whole, and the cash balance available in a normal year after defraying the cost of maintenance, cultivation and after payment of rent :—

District and zone.	Total number of rent-paying cultivators families.	Total area held by them.	Average area per family.	Average net outturn per occupied area after deducting cost of cultivation and marketing.
1	2	3	4	5
Cotton Zone.		Acres.	Acres.	Rs. a. p.
Amraoti ...	55,347	1,834,231	32	17 2 3
Akola ...	64,866	5,917,624	34	16 2 3
Buldana ...	67,223	1,948,790	29	14 3 3
Yeotmal ...	53,787	2,299,599	40	13 6 0
Nimar ...	38,904	1,100,412	32	16 14 9
Wardha ...	29,059	941,133	32	16 12 6
Nagpur ...	44,049	1,366,484	30	15 10 0
Total ...	353,235	11,708,269	33	14 15 0
Rice Zone.				
Raipur ...	159,975	2,047,058	12	20 2 8
Bilaspur ...	179,366	1,597,227	10	21 12 9
Drug ...	88,903	1,276,167	13	18 3 9
Balaghat ...	55,199	615,362	11	24 10 0
Chanda ...	56,975	1,177,096	29	14 7 3
Bhandara ...	65,304	827,634	12	25 9 3
Total	604,822	7,540,544	12	21 3 0
Wheat Zone.				
Jubbulpore ...	56,689	1,182,813	20	17 1 0
Saugor ...	35,239	1,052,094	29	12 9 0
Damoh ...	23,335	626,109	27	13 8 0
Narsinghpur ..	25,848	613,045	23	18 12 0
Hoshangabad ...	33,111	970,316	29	14 5 0
Total ...	174,142	4,443,377	25	14 13 0
Plateau Zone.				
Mandla ...	49,923	1,126,696	22	9 14 0
Seoni ...	30,679	847,148	21	13 14 3
Chhindwara ...	52,525	1,089,652	20	14 5 6
Betul ...	45,199	1,056,706	23	9 7 3
Total ...	189,326	4,120,202	22	11 6 0
Total for the province ...	1,316,525	27,812,392	21·15	15 2 0

District and zone.	Average net outturn per family.	Average rent per family.	Cost of maintenance and clothing.	Total of columns 7 and 8.	Balance in a normal year
1	6	7	8	9	10
Cotton Zone.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Amraoti ...	549 8 0	56 0 0	287 0 0	342 0 0	206 8 0
Akola ...	549 8 0	43 0 0	287 0 0	330 0 0	219 8 0
Buldana ...	435 0 0	38 0 0	287 0 0	325 9 0	110 0 0
Yeotmal ...	520 0 0	23 8 0	287 0 0	309 8 0	211 8 0
Nimar ...	376 0 9	21 0 0	225 0 0	246 0 0	130 0 0
Wardha ...	537 0 0	38 0 0	240 0 0	278 0 0	259 0 0
Nagpur ...	469 0 0	43 0 0	225 0 0	268 0 0	201 0 0
Total ...	488 9 0	39 0 0	260 12 0	299 12 0	183 13 0
Rice Zone.					
Raipur ...	242 0 0	7 8 0	180 0 0	137 8 0	54 8 0
Bilaspur ...	218 0 0	6 0 0	180 0 0	186 0 0	32 0 0
Drug ...	237 0 0	10 0 0	180 0 0	190 0 0	47 0 0
Balaghat ...	271 0 0	14 0 0	200 0 0	214 0 0	57 0 0
Chanda ...	289 0 0	14 0 0	200 0 0	214 0 0	75 0 0
Bhandara ...	307 0 0	15 0 0	200 0 0	215 9 0	92 0 0
Total ...	255 12 0	9 0 0	185 9 0	194 9 0	71 3 0
Wheat Zone.					
Jubbulpore ...	341 0 0	26 0 0	225 0 0	251 0 0	90 0 0
Saugor ...	360 0 0	38 0 0	225 0 0	263 0 0	97 8 0
Damoh ...	364 8 0	33 4 0	225 0 0	258 4 0	102 4 0
Narsinghpur ...	431 8 0	44 9 0	250 0 0	294 9 0	136 15 0
Hoshangabad ...	415 0 0	43 8 0	240 0 0	283 8 0	131 8 0
Total ...	369 0 0	35 8 0	281 3 0	266 11 0	103 5 0
Plateau Zone.					
Mandla ...	217 0 0	12 0 0	175 0 0	187 0 0	30 0 0
Seoni ...	292 0 0	18 0 0	200 0 0	218 0 0	74 0 0
Chhindwara ...	287 0 0	10 0 0	200 0 0	210 0 0	77 0 0
Betul ...	218 0 0	13 0 0	175 0 0	183 0 0	30 0 0
Total ...	253 2 0	13 0 0	187 6 0	200 6 0	52 12 0
Total for the province ...	334 0 0	21 0 0	214 0 0	235 0 0	99 0 0

437. We may now proceed to consider the question of the average holding in further detail. We have already explained that a considerable number of the persons, who earn their living as agricultural labourers or farm servants and, who were classed as such at census, often also hold small pieces of land, which are sometimes only a fraction of an acre in area, and are often nothing more than baris or back-gardens.

438. These persons are not properly speaking cultivators at all, although they pay nominal rent for these petty pieces of land. In our intensive village enquiries we have included

all persons paying rent, including these petty bari holders among the tenants of the villages in which economic surveys were made by us.

439. This explains why the figures for the average area held per cultivator in our intensive surveys is in most cases less than the figure in column 4 of the above statement. The actual distribution of land among individuals in the villages intensively surveyed by us is displayed in the following statement:—

BERAR DIVISION.

Statement showing the size of holdings in the villages intensively surveyed by the Committee.

District and villages.	Below 5 acres.	From 6 - 10 acres.	From 11—15 acres.	From 16—20 acres.	From 21—25 acres.	From 26—30 acres.	From 31—40 acres.	Above 40 acres.	Total.	Size of the average holding.
1	2	3	4	5	6	7	8	9	10	11
Amraoti district.										
Loni ...	40	46	24	16	12	6	10	24	178	...
Mosri ...	157	49	23	15	9	3	5	20	281	...
Sirkhed ...	73	27	23	20	15	16	4	4	182	...
Asegaon ...	35	14	2	7	3	4	...	6	71	...
Kokarda ...	39	8	7	12	...	1	...	3	71	...
Total for district ...	344	144	67	70	29	20	19	57	783	22
Yeotmal district.										
Nandura Buzruk ...	2	4	5	4	3	2	2	12	34	...
Naigaon ...	...	...	...	2	1	1	4	5	13	...
Padha ...	...	...	...	1	3	6	1	6	17	...
Wagdhara ...	3	2	5	2	2	1	1	16	32	...
Kupti ...	3	10	12	8	1	2	5	9	50	...
Total for district ...	8	16	22	17	10	12	13	48	146	54
Akola district.										
Anwi Mirzapur ...	17	11	5	8	4	3	3	8	59	...
Karanja Range ...	30	33	14	13	14	10	10	16	140	...
Adsul ...	30	17	14	15	6	5	8	13	108	...
Belkhed ...	10	13	6	5	7	..	9	6	56	...
Poti ...	9	9	10	11	2	3	...	10	54	...
Chandas ...	13	20	22	13	14	8	6	6	102	...
Total for district ...	109	103	71	65	47	29	36	59	519	34
Buldana district.										
Malghani ...	16	8	12	6	3	4	7	3	59	...
Ajni Buzruk ...	8	23	18	24	17	10	10	46	156	...
Dharangaon ...	61	38	28	14	8	3	7	8	167	...
Jasur ...	61	41	23	14	8	2	1	9	159	...
Malegaon ...	38	32	9	8	4	1	5	1	98	...
Total for district ...	184	142	90	66	40	20	30	67	639	23
Total for division ...	645	405	250	218	126	81	98	231	2,054	...

NAGPUR DIVISION.

Statement showing the size of holdings in the villages intensively surveyed by the Committee.

District and village.	Below 5 acres.	From 6—10 acres.	From 10—15 acres.	From 16—20 acres.	From 21—25 acres.	From 26—30 acres.	From 31—40 acres.	Above 40 acres.	Total.	Size of the average holding.
1	2	3	4	5	6	7	8	9	10	11
Nagpur district.										
Mathni ...	7	8	8	8	2	3	4	4	41	...
Pachgaon ...	25	18	15	7	10	3	9	10	97	...
Ridhora ...	51	32	20	17	9	9	8	11	157	...
Malegaon ...	25	18	15	7	3	3	9	10	97	...
Total for district ...	168	76	58	39	24	18	30	85	392	19
Bhandara district.										
Adyal ...	83	36	13	17	17	3	1	7	177	..
Katangi ...	38	31	18	11	3	4	1	1	103	...
Sonder ...	96	28	10	6	4	...	...	2	146	...
Total for district ...	217	95	41	34	24	7	2	10	426	10
Wardha district.										
Ellikelli ...	8	6	6	1	...	2	2	4	29	...
Wadner ...	8	11	15	13	13	12	11	32	115	...
Bothli ...	1	3	7	5	3	5	4	10	38	...
Total for district ...	17	20	28	19	16	19	17	46	182	29
Chanda district.										
Rajgarh ...	89	21	19	16	9	6	5	14	179	...
Belgata ...	12	4	5	2	1	2	1	4	31	...
Nandori ...	16	32	31	23	22	16	10	25	176	...
Kitadi ..	2	6	5	3	2	...	1	2	21	...
Nagram ..	67	19	9	5	10	10	7	2	129	...
Kurkheda ...	14	8	2	2	...	1	1	..	28	...
Total for district ..	200	90	71	51	44	35	25	47	564	9
Balaghat district.										
Rajengaon ...	13	7	4	4	3	4	3	2	40	...
Mohbatta ...	...	3	7	...	1	4	2	5	22	...
Miregaon ...	12	12	6	3	1	...	..	2	56	...
Total for district ...	25	22	17	7	5	8	5	9	118	11
Total for division...	567	303	215	150	113	87	79	147	1,682	...

JUBBULPORE DIVISION.

Statement showing the size of holdings in the villages intensively surveyed by the Committee.

District and village.	Below 5 acres.	From 6—10 acres.	From 11—15 acres.	From 16—20 acres.	From 21—25 acres.	From 26—30 acres.	From 31—40 acres	Above 40 acres.	Total.	Size of the average holding.
1	2	3	4	5	6	7	8	9	10	11
Jubbulpore district.										
Karmeta ...	32	6	4	5	2	2	6	4	61	...
Bargi ...	48	16	19	6	1	1		...	91	...
Lakhkhera ...	19	3	6	10	3	2	3	7	53	...
Gadhaghat ...	5	6	3	8	4	1	9	7	43	...
Total for district ...	104	31	32	29	10	6	18	18	248	16
Saugor district.										
Surlehi ..	32	12	9	9	8	11	8	17	106	...
Maharajpur ...	90	35	25	7	5	1	5	3	171	...
Barodia ...	27	28	19	14	6	2	7	4	107	...
Shahgarh ...	29	4	9	6	11	1	5	4	69	...
Total for district ...	129	79	62	36	30	15	25	28	453	18
Damoh district.										
Abbana ...	69	17	9	11	11	2	6	3	128	...
Bakain ...	2	11	5	2	2	1	1	...	24	...
Total for district ...	71	28	14	13	13	3	7	3	152	16
Seoni district.										
Sukhtara ...	3	3	5	2	2	1	2	3	21	...
Keolari ...	7	11	17	8	5	4	5	8	65	...
Barghat ...	42	35	15	3	1	2	6	1	115	...
Chapara ...	2	8	15	6	5	5	...	5	46	...
Total for district ...	54	57	52	29	13	12	13	17	247	17
Mandla district.										
Phuhagar ...	20	4	2	2	...	1	1	1	31	...
Ghanaghat ..	...	2	3	2	3	2	4	11	27	...
Manikpur ..	...	2	...	2	3	1	5	5	18	...
Total for district ...	20	8	5	6	6	4	10	17	76	30
Total for division ...	443	205	150	105	71	38	70	79	1,176	...

NERBUDDA DIVISION.

Statement showing the size of holdings in the villages intensively surveyed by the Committee.

District and village.	Below 5 acres.	From 6—10 acres.	From 11—15 acres.	From 16—20 acres.	From 21—25 acres.	From 26—30 acres.	From 31—40 acres.	Above 40 acres.	Total	Size of the average holding.
1	2	3	4	5	6	7	8	9	10	11
Hoshangabad district.										
Jasalpur ...	21	34	16	7	6	4	4	4	96	...
Chaterkhera ...	24	14	13	8	10	4	2	6	81	...
Masangaon ..	30	7	11	15	9	6	7	22	107	...
Karanpur ...	5	3	4	2	3	2	3	12	34	...
Total for district ...	80	58	44	32	28	16	16	44	318	19
Nimar district.										
Amarpura ...	1	4	8	6	10	4	4	10	47	..
Sarola ...	19	36	20	11	5	6	5	3	105	...
Brahmogram ...	3	7	13	6	10	5	3	9	56	...
Total for district ...	23	47	41	23	25	15	12	22	208	12
Narsinghpur district.										
Mohad ...	54	16	8	15	5	3	6	3	110	...
Bithli ...	39	11	7	8	3	1	7	4	80	...
Pipariya ...	3	4	...	2	1	...	3	1	14	...
Imalia ...	11	15	13	3	1	2	...	2	47	...
Total for district ...	107	46	28	28	10	6	16	10	251	16
Betul district.										
Padhar ...	3	5	8	6	8	3	3	4	40	...
Sasundra ...	63	25	19	23	11	9	12	22	184	...
Bhikar Mandwa ..	4	4	5	6	4	4	3	15	45	...
Total for district ...	70	34	32	35	23	16	18	41	269	15
Chhindwara district.										
Linga ...	27	16	12	8	...	3	1	4	71	...
Panjra ...	5	6	5	3	5	2	...	4	30	...
Saori ...	18	13	14	15	5	1	3	3	72	...
Total for district ...	50	35	31	26	10	6	4	11	173	18
Total for division...	330	220	176	144	96	59	66	128	1,219	...

CHHATTISGARH DIVISION.

Statement showing the size of holdings in the villages intensively surveyed by the Committee.

District and village.	Below 5 acres.	From 6—10 acres.	From 11—15 acres.	From 16—20 acres.	From 21—25 acres	From 26—30 acres.	From 31—40 acres.	Above 40 acres.	Total.	Size of average holding.
1	2	3	4	5	6	7	8	9	10	11
Raipur district.										
Barodia ...	3	16	13	7	6	3	1	2	51	...
Patewa ...	1	8	3	3	...	1	1	2	19	..
Charra ...	68	32	25	14	6	5	5	4	159	...
Kokadi ...	28	21	10	2	1	2	...	1	65	...
Total for district	100	77	51	26	13	11	7	9	294	11
Bilaspur Khalsa.										
Pendari ...	32	17	2	3	1	1	...	...	56	...
Jarhagaon ...	90	16	5	4	3	3	...	...	121	...
Patpura ...	107	30	12	6	1	...	...	1	157	...
Total for district ..	229	63	19	13	5	4	...	1	334	6
Bilaspur Zamindaris.										
Bacharwar ...	181	59	26	7	7	9	4	...	293	...
Chaitma ...	96	35	9	3	1	3	1	1	149	...
Seoni ...	129	70	23	14	6	1	4	2	249	...
Total for district ...	406	164	58	24	14	13	9	3	691	6
Drug district.										
Purena ...	21	19	3	3	5	2	2	2	57	...
Baiji ...	14	14	6	6	3	...	3	1	47	...
Parsa ...	23	15	9	2	...	2	1	3	35	...
Total for district ...	58	48	18	11	8	4	6	6	139	10
Total for division ...	793	352	146	74	40	32	22	19	1,478	...

440. It will be seen that the number of persons with holdings below 5 acres is relatively large. Among them are included the bari-holders or nominal tenants. A particularly large number are included in the case of the Bilaspur, Bhandara and Chanda districts, as is explained in the district and village enquiry notes in the appendices.

441. It will also be noted that at the other end of the scale there are a number of persons with large holdings exceeding 40 acres in area.

442. Under these circumstances it is extremely difficult to state the area of an average holding.

443. It is, however, necessary to note that a large number of cultivators have holdings less than the average amount of land which would be available for distribution per cultivating family, if the distribution between all cultivating families was equal. This is of particular importance in considering the amount of balance or surplus per average cultivating family as exhibited in column 10 of statement on page 69. It will be seen that the surplus or balance is considerably greater in Berar than in the rice zone, although the profits per acre from rice cultivation are considerably more. This is purely the result of the size of the holding, the holdings in the cotton zone being generally much larger than those in the rice zone proper.

444. It should be noted that although the all round average in Berar works out at 34 acres per cultivating family, 11 per cent of the cultivators were found in our intensive surveys to have large holdings over 40 acres in area, while actually the most common holding is not much above 20 acres. It will be seen that in the villages in Berar surveyed by us there are, if we exclude the small holdings below 5 acres, 655 holdings below 16 acres against 754 holdings of 16 acres and above.

445. The figures supplied to us by the co-operative credit banks show that in Berar the 10,147 members of the co-operative credit societies hold 223,067 acres of land, an average of about 22 acres each.

446. Although therefore the big men no doubt have in normal years a substantial surplus above the bare necessary expenses (and have no doubt also many other expenses to incur), there is a very large number of cultivators in the Cotton Zone whose balance after deducting the necessary expenses of maintenance, cultivation, and rent, is much less than the average surplus displayed in column 11. From cultivation alone at present prices it appears that the average family in Berar could not be maintained on less than 15 acres. Undoubtedly many of them hold less land than this, and as a matter of fact rely for

their maintenance very largely upon their income from subsidiary sources, as is explained hereafter.

447. On the other hand, as we have explained in the district notes, the net profits from rice cultivation, particularly in double-cropped areas, would make it possible for a family to be maintained from a holding of not more than 5 to 6 acres. In a holding of this size very little outside labour is required, and the costs of cultivation are therefore far less than the average cost estimated by us. In the rice zone as elsewhere the all round average cost and gross outturn per acre exhibited in this report are for the average of all kinds of crops for each district as a whole. In the district notes, however, we have displayed separately the cultivating cost and gross outturn per acre for each crop.

448. Our enquiries show that many of the small holdings in the rice zone are devoted purely to rice and are often double-cropped.

449. These examples will suffice to show the great difficulty in estimating the size of the most common holding, and the danger of drawing conclusions in individual cases from average figures.

450. The whole of this difficult and complicated subject has been discussed in the village survey and in the district notes.

451. It will suffice to point out here in conclusion that many cultivators have holdings smaller and many larger than the average, but that in many of the smaller holdings the costs of cultivation are less and the value of the gross outturn greater than the all round average. Our intensive village surveys also display the fact that in nearly every case the persons with small holdings also earn quite considerable incomes from subsidiary sources. In fact, as we have explained hereafter in Chapters IV and XII, throughout our enquiries we hardly found a single case in which indebtedness was due to the uneconomic size of the holding. This is a matter of first rate importance.

452. We now proceed to consider the question of subsidiary income.

453. Subsidiary income.—We have dealt with this important question in our economic survey notes. We have already explained above that, although we have debited the average capital depreciation on the price of cattle to the costs of cultivation, many cultivators breed their own cattle and do not incur this expenditure, while many others breed cattle and sell to those who buy them. Cattle-breeding is, therefore, an important

industry and there are, in the province at present, the following number of cattle :—

Bullocks	...	...	4,126,161
Buffaloes	...	...	533,511
Cows	...	...	3,257,709
She-buffaloes	...	...	870,066
Others including calves		...	5,144,882

454. The price of agricultural cattle varies greatly in different parts of the province. The price of bullocks varies between 30 or 40 rupees per pair and Rs. 250; but if for the purpose of estimating the value of the farm stock of the province, we take the following all round prices, *viz.*,—

			Rs.
Bullocks (per pair Rs. 80)	...	...	40 each
Buffaloes	...	...	50 ,,
Cows	...	...	15 ,,
She buffaloes...		...	75 ,,
Others including calves		...	10 ,,

we shall be on very safe ground.

455. The total value, at these prices, will then come to Rs. 35,73,00,995. The actual price is probably far more, but we prefer to make a conservative valuation.

456. The following statement of the agricultural cattle now, and twenty years before, will show that the total number of cattle in the province is continuing to increase :—

Different kinds of cattle.	Total number of cattle.	
	1909.	1929.
1	2	3
Bullocks	3,844,235	4,126,151
Buffaloes	481,788	533,511
Cows	3,164,437	3,257,709
She-buffaloes	838,423	870,062
Others, including calves	4,946,474	5,144,882
	13,275,357	13,932,315
		+5%

457. And as the average total life of cattle is round about ten years, we may assume that one-tenth of this total number of cattle is produced every year, that is to say, cattle of the total value of Rs. 3,57,30,099 are annually produced in the province. The total population residing in the rural areas is 13,668,300 or 2,733,660 families and, if we care to do so, we should be justified in assuming that the annual average income from cattle-breeding per family of all classes residing in rural areas, including cultivators, farm labourers, and others, was Rs. 13-10-0.

458. In addition, the *ghee* and milk industry in some parts of the province is extremely important; for instance, the ordinary amount of *ghee* exported from the Saugor district comes to about 45,000 maunds.

459. Another important source of income is carting. The period of the year during which agricultural bullocks are required for ploughing and other field operations is relatively short. Most cultivators have their country carts and many of them obtain an income which is often substantial from carting in the off season, timber and forest produce in the Government jungles, agricultural produce to the railhead markets, material for the Government roads, and manganese from the manganese mines not on the railway, etc., *vide* Mohbatta of the Balaghat district, Adyal of the Bhandara district, etc. (Appendices E-XXIX and E-XXVI, respectively). Then many of the small cultivators do a certain amount of agricultural labour in the fields of others, while in the uplands the Chaitwas too descend to the haveli tracts at chait or harvest time, cutting and harvesting the wheat crops, etc., for which they are paid in kind. In fact there is considerable migration at the time of harvest and agricultural labour is much more fluid than it was. The cultivators of the weaver castes often earn considerable sums from weaving, *vide* Sondar, Bhandara district (Appendix E-XXVIII), and Seoni and Bilaspur districts (Appendices J-X and J-XVII, respectively). The Telis also often do oil pressing, and so on and so on.

460. We have already also explained that many of the bigger tenants do money-lending to their poorer brethren, and a considerable portion of the interest charges discussed in Chapter IV form part of the subsidiary income of the bigger cultivators.

461. These are some of the principal sources of subsidiary income.

462. It would have been quite impossible for us, at the time at our disposal, to have attempted to estimate accurately the total income from these subsidiary sources in each district and for the province as a whole; but we have made considerable enquiries into the subject in our economic village surveys, and the following statement exhibits the large amount of income from these subsidiary sources which cultivators obtain in the

villages economically surveyed by us according to their own individual statements :—

Zone and district.	Subsidiary income in the villages surveyed by us.		
	Income.	Total number of families in the village surveyed.	Average per family.
1	2	3	4
	Rs.		Rs.
COTTON ZONE—			
Amraoti ...	1,65,205	750	220
Akola ...	96,604	519	186
Buldana ...	1,09,038	639	171
Yeotmal ...	16,758	146	115
Nimar ...	35,745	208	172
Wardha ...	71,750	182	398
Nagpur ...	96,135	385	250
Total ...	5,91,235	2,829	209
RICE ZONE--			
Raipur ...	28,725	294	98
Bilaspur ...	32,910	1,025	32
Drug ...	18,426	159	115
Balaghat ...	17,960	98	183
Bhandara ..	58,642	426	138
Chanda ...	70,277	563	125
Total ...	2,26,940	2,565	88
WHEAT ZONE—			
Jubbulpore ...	37,192	248	150
Saugor ..	60,975	453	135
Damoh ...	33,941	152	223
Narsinghpur ...	37,151	351	148
Hoshangabad ..	72,563	318	218
Total ...	2,41,822	1,422	170
PLATEAU ZONE—			
Seoni ...	42,566	247	172
Mandla ..	20,669	76	272
Chhindwara ...	41,661	173	241
Betul ...	45,798	269	170
Total ...	1,50,684	765	196
Total for the province ...	12,10,681	7,581	159

463. These figures indicate that the income from subsidiary sources averages 45 per cent of the net agricultural income. We do not wish to run the risk of any kind of overestimation; but we feel that we should be on a safe ground if we estimate that for the province as whole the average income per cultivating family from these subsidiary sources cannot, under ordinary circumstances, be less than Rs. 50. Some may obtain less, but many earn far more. At the same time the agricultural labourers also earn a similar income, while the members of the families of the poorer classes earn considerable amounts from the collection of fire-wood and grass for sale in the nearest bazar village or to the local big cultivators where they reside. It is certain that the average subsidiary income which the agricultural labourer earns, apart from his wages as an agricultural labourer, averages not less than Rs. 25 per annum. In one village of Adyal alone, we were told by a cartman that anybody who desired to do so, could easily earn Rs. 300 per annum from carting. He himself had purchased some land from the profits from this form of employment.

464. It is not our intention to imply that every cultivator or agricultural labourer earns the same amount of income from subsidiary sources. We are throughout dealing with the general economic position of the province as a whole and are concerned with average figures rather than with the individual.

465. It is only the big cultivator who will have income from money-lending; but his agricultural expenses and expenses on maintenance will be greater.

466. On the other hand, it is only the small cultivator who will earn a subsidiary income from agricultural labour, but at the same time his cultivating and maintenance expenses will be below the average.

467. The position, which it appears to us to be important to stress, is that the means of earning a substantial sum from sources other than cultivation exist, and although a cultivator who is in prosperous circumstances may not avail himself of these means of supplementing his income, the fact that he is able to do so when necessity arises, is a factor of the very greatest importance in the economic life of the rural community.

468. We were also greatly impressed by the fact that nearly all those tenants, who were found at our village surveys to have small uneconomic holdings, supplemented their agricultural profits by income from subsidiary sources. We have discussed this matter repeatedly in our village surveys.

469. In conclusion we feel that in estimating the income of the average cultivator we should be giving an incorrect picture of the real situation if we did not make some allowance,—even though it be, through our desire to be on the safe side, an underestimate,—for the income from non-agricultural sources.

470. **The Financial position of the average cultivator summed up.**—The position may then be summarized as follows,

The provincial average produces the following figures for the average cutlivator :—

—	In a normal year.	When the crop is 25 per cent below normal.
1	2	3
Size of holding	Acres. 21	Rs. ...
Value of gross crop outturn after deducting marketing expenses.	Rs. 491	367 369
Income from subsidiary sources	50	50
Total income	541	419
Cost of maintenance and clothing	214	214
Cultivating expenses	157	158
Rent	21	21
Total necessary expenses	392	392
Balance	149	27

471. Out of this balance or surplus, the cultivator has to incur other expenditure.

472. He will spend certain sums on marriages and funerals, etc., on repairs of his house, on journeys, on repayment of debts and on interest charges if he has borrowed money, possibly on the education of his children, and on whatever little luxuries such as pan, tobacco, etc., etc., he is able to afford.

473. The provincial census shows an average of three surviving children to the average parents. This implied at least three marriages per generation or about one marriage every seven years. These marriages may come in close succession if the difference in the children's ages is slight.

474. There will also be periodic funerals. Some cultivators put by some savings towards these expenses, while others raise money by sale of cattle, but many take loans for these ceremonies.

475. The average total expenditure involved on these ceremonies will be equivalent to not less than Rs. 40 per annum as is explained hereafter : in many cases it will be far more.

476. But it is clear that the margin after these and other similar charges have been met is small, even in a normal year; while when a crop falls to 25 per cent below normal there is practically no surplus for meeting any expenses beyond those of maintenance, cultivation and rent, while in many cases there is a deficit.

477. We have next to consider the class of agricultural labourers.

478. **Financial position of agricultural labourers.**—We have already explained that our esimate of the cost of cultivation provides an average wage in cash and grain of Rs. 151 per

family of farm servants and agricultural labourers. In some parts of the province they earn more, while in others they earn and need less.

479. We have further estimated their average income from non-agricultural sources at Rs. 25 per annum.

480. This provides an average income of Rs. 176 per family.

481. It is often contended that these persons do not get enough to eat. It appears that in normal years they obtain enough for their maintenance according to their simple standard of living. However near large towns and industrial centres many of them undoubtedly also earn substantial incomes from urban employment. The above figures are a useful cross-check on our estimates of the costs of cultivation. The agricultural labouring class and farm labourers, having no credit, are not habituated to borrowing money, although they occasionally take advances in grain or petty sums in cash from their employees, which they usually repay in labour, or by deductions from their wages. It is not necessary to consider in detail the debts or indebtedness of this class, as our enquiries show that they are insignificant. Under no circumstances have they such credit as to make it possible for anybody to lend them large sums. This class, however, does at times resort to the Pathan and Rohilla money-lenders who are described elsewhere.

XIV

The Rural Financier.

482. **The need for the rural financier.**—To return to the rent-paying cultivator, we have already alluded to the great variations in crop outturns and the uncertainty of his income. The crop may fail at any time.

483. Although we have included the annual capital depreciation on the price of agricultural cattle in our estimate of the annual cultivating expenses, some of the agricultural cattle of a particular tenant may die in the year when the crop is poor. In fact in years of short rainfall when fodder is insufficient, the cattle mortality is usually excessive, while cattle epidemics from rinderpest and foot-and-mouth disease may occur at any time. Unfortunately also a good year does not necessarily follow a bad year in rotation; but as we have explained elsewhere, although on the one hand sometimes a succession of continuous good years occur, as has been the case in the rice zone, it is equally likely that a number of bad years may follow one after the other as has recently occurred in the wheat zone. The poorness of the harvest will vary in degree; but at any time, outside the most secure irrigated areas, which in the Central Provinces are relatively small in size, a very serious disaster to the harvest may occur resulting in scarcity conditions.

484. It is clear then that at any time the average cultivator in the average village may find himself unable to support himself and his family and to carry on his agricultural operations without financial assistance from outside; and thus we come to the

rural financier or village money-lender who is, after all, the main subject of our enquiry.

485. The history and methods of indigenous bankers and indigenous money-lenders is discussed in detail in Chapter XIII in this report. But it is clear, from what has gone before, that the local financier has been a necessary part of rural economy in India from the earliest times.

486. In the small villages, there will not always be a local whole-time money-lender or sowkar. But every village has a substantial sowkar in the vicinity upon whom the local cultivators depends for finance from time to time.

487. **Thrift habit.**—It may well be argued that, as the good years make up the losses of the bad, and over a cycle of years the average outturn produces a balance of income over necessary expenditure, the cultivators have no need to borrow, but might on the other hand, by the practice of thrift, build up a capital reserve, according to the practice of modern business houses, for meeting the losses of the bad years.

488. Unfortunately, however, this idea has never up to now taken root in rural India. In fact, as is explained hereafter, it must be admitted that no such facilities at present exist as would make it possible for the average cultivator in rural areas to build up an invested reserve of savings.

489. It is true that there are co-operative credit societies in a certain number of villages in this province; but, as will be seen hereafter, they have not yet laid sufficient stress on developing the thrift habit which should be one of the first aims of the co-operative credit movement, while the savings of society members represent only a very small part of the funds of the Central Banks and societies, which are derived almost entirely from dwellers in urban areas.

490. It is true also that at the post office savings bank it is possible to open a savings bank account, but in this province post office savings banks exist only at the district and tahsil headquarters and at some of the larger villages and trade centres, and there is not more than one post office savings bank for every 500 square miles in rural areas in many parts of the Central Provinces.

491. Nor up to now has any serious attempt been made, by education or propaganda, to develop the thrift habit. In this connection we examined two officers of the Imperial Educational Service, Mr. Macnee, Principal of the Jubbulpore Training College and late Officiating Director of Public Instruction, and Mr. H. S. Staley, Principal of the Morris College, both of whom were for many years Inspectors of Schools in rural areas.

492. This subject can be more fitly dealt with in Chapter XVI.

493. It suffices here to note that the cultivators of the Central Provinces are not habituated to building up a capital reserve by investment, and that no adequate attempts have ever been made to encourage them, or to make it practically possible for them to do so.

494. The indigenous system of finance, which has been evolved by the light of nature in rural areas *faute de mieux*, is of a different kind.

495. Those substantial cultivators who can accumulate a surplus usually indulge in one of two forms of so-called investment. They will probably either buy land or else, after expending a substantial sum upon any social ceremony which may be pending, invest their cash balance in the purchase of gold and silver ornaments.

496. Ornaments.—This subject has been discussed in detail in Chapter XVI. We invited a reference to the statement on page 388 of that Chapter which shows that the average value of the gold and silver possessed by the 7,581 families, whose economic position we examined in our intensive village surveys works out at Rs. 144 per family according to their own statements.

497. Their cash balance will depend upon the amount of grain which they keep in reserve and the amount which they sell. Here too in rural areas it has always been the practice for those who can do so to build up a store of grain for the bad years. It is still the habit for the big cultivators and malguzars to keep at least one year's reserve supply of grain with them if possible.

498. In addition it is a very common practice, which appears to be increasing in popularity, to invest a certain portion of whatever surplus is available in lending money to one's poorer brethren. Most of the malguzars and many of the big tenants advance grain and cash to the smaller tenants.

499. The indigenous professional money-lender who belongs normally to the Vaishya caste, although a certain number of Brahmans, Kalars, Telis and other castes have now taken to whole-time money-lending, has been the main factor in rural finance in India from the beginning of history.

500. It only needs one poor crop to make it necessary for a certain number of tenants to require some advances in grain or cash to enable them to carry on till next harvest, and the origin of the relationship of debtor and creditor between the cultivator and money-lender will probably be found, as is explained above, to have dated in nearly all cases from a year of crop failure.

501. In other cases, loans may have been taken for the purchase of bullocks or for ceremonial purposes or for the purchase of land. For non-recurring charges of this kind it is clear that the ordinary cultivator will ordinarily not have sufficient capital in hand.

502. However, the relationship first started, it is a common feature of rural life in the Central Provinces for the ordinary cultivator to have a running account or *khata* with the money-lender from year to year.

503. Even in those years of bumper harvest, when it might be possible for the cultivator to repay the whole amount which he owes, he will usually not make repayments in full. He prefers

to keep open his existing account with a local credit agency; while we have been informed in our enquiries that most money-lenders consider it to be unlucky to close an account altogether. From a variety of causes, a considerable percentage of the cultivators have reached a stage, when their agriculture is carried on by an annual overdraft or advance from the sowkar.

504. Alleged extravagance of the cultivator.—It is extremely easy to criticise the cultivator for extravagance and improvidence. But it should be remembered that, although many cultivators have mixed holdings growing both winter and rains crops, even they obtain the whole of their annual income in two instalments only, at the rains harvest and at the winter harvest; whereas a large proportion of cultivators, who depend upon one crop only, receive the whole of their agricultural income at one particular season of the year.

505. Out of this sum, they are required to maintain themselves and to carry on their agricultural operations until the next harvest.

506. When in addition the crop outturns vary greatly from year to year, it would be impossible even for an educated person to draw up a budget which would annually balance, and even Local Governments have been known to have deficits at the end of the year.

507. Services rendered by the village money-lender.—It is, however, certain that in the Central Provinces, as elsewhere in India, and in fact in all agricultural countries, some financial agency is necessary to provide credit facilities for the continuance of agricultural operations, and this work has been carried out by the village money-lender from the earliest times. Although it is nowadays fashionable with a certain school, who consist mainly of disgruntled debtors, to abuse the village financier as unscrupulous Shylock, it is impossible to underestimate the great services which he has conferred on the agricultural community in India, and the large part which he has played in the development of the country.

508. A study of the expenditure of Government on famine relief works at a time of crop calamities and scarcity will show clearly that the total amount therein expanded amounts to only a small fraction of the total amount required for supporting and maintaining the community through these crises; and without the assistance of the local village financier it is probable that a large portion of the area under cultivation might have been abandoned long ago.

509. Throughout the province, we find indigenous money-lending in various stages of development. But everywhere the financier is necessary, and everywhere he is found.

510. Position of the village money-lender in earlier days.—In earlier days when the communal life of the village was stronger, and the forces of law and order were less strong than they are today, the indigenous money-lenders or village sowkars were

regarded more or less as belonging to the class of communal village servants.

511. They were largely dependant for their existence and for the maintenance of their business upon the good will of the community among whom they resided.

512. In those days it was not possible for a sowkar to obtain an *ex parte* decree in the Small Cause Court, and to sell up his debtor in execution thereof.

513. Public opinion was strongly in favour of the repayment of legitimate debts; but it was equally strongly against hard bargains and extortionate conduct by the local money-lender, and so the system on the whole worked fairly well to the satisfaction of all concerned.

514. When the recovery of debts depended largely upon the good will of the community, extortion and oppression by the money-lender was more or less impossible.

515. On the other hand, the risks were very great as cultivators had no rights in land; and the ordinary rate of interest which was considered to be fair was no doubt high.

516. Then followed the Pax Britannica.

517. His position under British rule.—With the establishment of British rule, Government gradually introduced from the west a foreign code of laws and a system of administration of justice which had for its foundation the sanctity of the contract.

518. The concentration of administrative authority and of the courts of law at tahsil and district headquarters removed very largely the *raison d'être* of the village panchayat of elders whose opinion in the past had had much of the force of law in the village.

519. The local money-lender found that he was no longer compelled to depend upon public opinion for the recoveries of debts; but provided he could observe certain formalities required by the courts, such as the production of witnesses, to prove receipt of consideration, he was able through the agency of the courts, to recover sums much larger than he had previously ever hoped to obtain.

520. At the same time, with the introduction of permanency of tenure and the recognition of the rights of transfer in land and the establishment of peace and order in the country, the credit of the individual cultivator increased, while the risks of money-lending fell.

521. It seems curious at first sight that since then there has been no marked fall in the rates of interest charged.

522. For a certain period the cultivator appears to have been largely at the mercy of those money-lenders for whom the temptation to amass ill-gotten gains proved too strong.

523. Legislation for the protection of debtors.—Later on a realization of the inequality of the relations between the indigenous money-lender and the indigenous cultivator under a foreign code of laws based on the sanctity of the contract resulted in the introduction of certain laws for the protection of the debtor, such as the Insolvency Act, the Usurious Loans Act, etc., which are discussed in detail in Chapter XII.

524. Since then the pendulum has begun to swing in the opposite direction. The cultivator has in some cases become, in the terms of money-lender, "chalak" or "cunning".

525. He has begun to realize that two can play at the law court game, and there is no doubt that, just as in the past, a number of dishonest money-lenders may have enriched themselves at the expense of unsophisticated tenants through the agency of the Courts of Justice, a percentage of debtors have now learnt to make use of the law courts and the provisions of the law for defrauding their creditors.

526. Its result.—This has resulted in a considerable increase in the difficulties and risks of money-lending; that is to say, the credit of the cultivator has depreciated, and in some parts of the province this, together with the general tightness of the money market, has resulted in an increase in the price of money.

527. We quote as an instance Berar where, although the cultivators have the full right of transfer in their land and can offer first rate security, the rates of interest charged are generally higher than those charged upon mortgage loans in more unsophisticated tracts in the Central Provinces.

XV

Land values.

528. Land values.—We have explained in the paragraph on land tenures that, although most of the land in Berar is transferable, only 29 per cent of the occupied area in the Central Provinces can be transfered by sale, mortgage or lease. The average prices prevailing for the sale of transferable land during recent years provide at once a safe basis for calculating land values of transferable land; but it is a more difficult matter to estimate the value of land which cannot be transferred in the ordinary way, and which can only change hands through the device of surrender to the landlord, who then leases it out to the *de facto* transferee after taking a substantial portion of the transfer value.

529. We have, however, made careful enquiries into the estimated value of land, both transferable and other land, and our conclusions are contained in the various intensive enquiry notes.

530. Land values depend upon the quality of the soil, market facilities, the local demand for land and the price of the crops which can be raised upon it. The feverish fluctuation in the price of cotton has produced similar fluctuations in land values in the cotton zone. But the result of our enquiries in

Berar would indicate the average value of land of all qualities to approximate to Rs. 100 per acre at present, some land being worth much more and some much less.

531. We feel that it would be impossible for us to give an accurate estimate of the value of land for the province as a whole, but having regard to the fact that the value of the average net outturn for the Central Provinces as a whole is not less than that of Berar at present prices, we should be on safe guard in estimating that the all round average value of tenancy land in the Central Provinces, although only 15 per cent is transferable, is not less than Rs. 50 per acre. An attempt to make a general valuation of the tenancy land of the province appears, however, to be a rather futile proceeding, as when this land cannot in any case be a security for debts or the basis of credit.

532. As regards the rights which landlords or malguzars in the Central Provinces enjoy in their land, we have recorded in separate district notes the multiple of the land revenue which the total transfers of shares in villages in each district has averaged during the last three years, and upon that basis have worked out their total value.

533. For the province as a whole, the result is as follows :—

District of Central Provinces.	Malguzari land revenue.	Multiple of land revenue which the average transfer value of all shares transferred during the last three years represents.	Estimated total value of malguzari rights.
1	2	2	4
	Rs.	Rs.	Rs.
Nimar ...	4,35,993	36	1,56,85,848
Wardha ...	8,17,329	59	4,32,22,411
Nagpur ...	13,65,307	33	4,50,55,131
Raipur ...	8,03,032	53	4,25,60,696
Bilaspur ...	6,41,911	44	2,70,57,404
Drug ...	7,01,228	49	3,43,60,172
Balaghat ...	4,58,835	40	1,83,45,400
Chanda ...	4,78,052	24	1,14,73,488
Bhandara ...	6,81,034	40	3,49,75,080
Jubbulpore ...	10,41,944	30	31,25,83,202
Saugor ...	8,46,269	31	2,62,34,339
Damoh ...	4,64,828	33	1,53,39,324
Narsinghpur ...	7,62,275	31	2,36,29,905
Hoshangabad ...	9,13,709	27	2,46,70,143
Mandla ...	1,71,444	35	60,00,540
Seoni ...	4,32,379	41	1,77,35,539
Chhindwara ...	4,49,360	69	3,10,05,840
Betul ...	3,51,433	43	1,51,11,619
Total for Central Provinces ...	1,1.,89,182	39	46,09,77,479

CONCLUSION.
XVI

534. Objections considered.—Before closing this important chapter we feel it desirable to meet certain possible objections which may be raised.

535. We have already explained why we do not consider our estimates of the cost of maintenance to be too high. They are certainly not too low.

536. It may be argued that we have underestimated the costs of cultivation. To this we would reply that the costs of seed, bullocks and bullocks' feed, etc., are not open to dispute. The costs of hired labour are a debatable question and must always vary much according to the circumstances and character of each individual cultivator. But to increase our estimate of the costs of cultivation would be to increase our estimate of the wages bill of hired labour, which already provides adequate wages for the average agricultural labourer.

537. Again it may be argued that we have overestimated the normal crop outturns. To this we would reply that according to our estimates the net surplus after defraying costs of maintenance and costs of cultivation is less than the value of the agricultural produce exported from the province in 1928-29 which exceeded 23 crores of rupees, although in that year the crop in many parts of the province was below normal.

538. A reduction in our estimate of the normal gross crop outturns would necessitate a reduction in our estimate of cultivating expenses.

539. We should not be so imprudent as to claim absolute mathematical accuracy for all our estimates; we are throughout dealing in averages only. No one can be more conscious than ourselves of the difficulties with which we have had to contend in attempting the first economic survey of so large an area in so short a period of time.

540. Much greater time would be required for detailed enquiries throughout the province into such subjects as subsidiary income, etc., etc., upon which we have but briefly touched.

541. We can, however, confidently claim that we have throughout in all matters made caution our watchword, and have been most careful to avoid any kind of overestimation.

542. In conclusion, we believe that we have presented in this chapter a reasonably accurate picture of the economic position of agriculture in the province as a whole. Agricultural indebtedness is separately dealt with in Chapter IV.

543. Our sketch may perhaps be somewhat rough in places. We leave it to those who may follow after to fill in the light and shade. But we have reason to believe that, whatever amplification of detail may be achieved by those who may come after us in the work of economic survey, will not result in any change of the main features of the picture, which we have delineated in this chapter.

CHAPTER III.—GENERAL DESCRIPTION OF EXISTING CREDIT AGENCIES.

I

544. The Imperial Bank of India.—The Imperial Bank of India was constituted in 1921 under the Imperial Bank of India Act (XLVII of 1920) by the amalgamation of the Presidency Banks, with the declared object of fostering and promoting the growth of improved banking facilities in the country and in order to render the money resources of India more accessible to trade and industry.

545. There are ten branches in the province—four in Berar and six in the Central Provinces. The branches are situated at—

Berar—
- Amraoti
- Akola.
- Yeotmal.
- Khamgaon.

Central Provinces—
- Wardha.
- Khandwa.
- Raipur.
- Jubbulpore.
- Nagpur.
- Katni.

The branches at Amraoti, Akola, Yeotmal, Khamgaon, Nagpur, Wardha and Khandwa are all situated in the cotton zone: the wheat zone has two branches—Jubbulpore and Katni: the rice zone has one at Raipur and the plateau zone none.

546. There is roughly one branch to over 1½ millions of the population and 9,987 square miles of territory. But actually outside the cotton zone, the areas are much greater.

547. These ten branches have certain sub-stations at important trading centres, where a clerk looks after the bank's interests.

548. It would not be possible for these ten branches to take an appreciable part in financing the needs of individual cultivators, and as a matter of fact the bank takes no part in the direct financing of agriculture, being prohibited by law from advancing money on the security of land, or making advances for a longer period than six months, although in some isolated cases it has made advances to some big cultivators on the security of gold deposited with the bank. It will be correct to say that its business, outside Government banking, is at present confined to taking a part in the financing of trade, the marketing of crops, the movement of produce, and remittance.

549. We have received many complaints both from witnesses and in our village surveys with regard to the failure of the Imperial Bank to grant greater credit facilities to agriculturists, etc.

550. We are not in a position to state whether it would be possible for the Imperial Bank to devote a portion of its resources to the financing of agriculture, as we have received very little assistance in our enquiries from the bank's agents, only one of whom consented to give evidence before us; but we agree that the financing of agriculture on a large scale is outside the sphere of business of a commercial bank, the essence of whose stability is the general fluidity of its resources.

551. The Imperial Bank in the past has also had the usual business relations with the co-operative credit banks as is explained in Chapter V.

552. The business relations of the bank are mainly confined to those big grain and other merchants, shroffs and factory owners of the trading towns, who are on its rather limited list of approved customers. The main facilities which they obtain are—

(1) By selling to the bank their demand drafts drawn against credits opened by other office of the bank.
(2) By selling their demand drafts against credits opened by other banks.
(3) By selling their demand drafts against credits arranged with the local agent of the bank.
(4) By discounting 61 days bill drawn on other parties.
(5) Cash credits secured by the demand promissory notes of another party.
(6) Loans against gold or goods kept in the godowns of the banks.

553. As long as the Imperial Bank continues to perform the functions of an apex bank, we realize that its business must be conducted with the greatest caution and, in recording the facts brought to our notice, we do not desire to imply unfavourable criticism.

554. The history of commercial banking provides sufficient proof of the dangers attendant upon the financing of agriculture by such institutions, and we have indeed stressed hereafter the need for an entirely separate provincial land bank to supplement the financial requirements of those 91 per cent who dwell in rural areas.

555. It is not therefore in a spirit of animadversion that we state that the Imperial Bank of India takes no appreciable part in the financing of agriculture, which is the main industry of the province.

556. We have received various complaints of delays in the encashment of cheques, of unnecessary strictness in the observance of technical formalities, of a general spirit of aloofness and lack of touch with the commercial community.

557. We feel, however, that we should not be justified in recording, on these complaints, conclusions which, owing to the refusal of the bank's agents to give evidence before us, would after all be of an *ex-parte* nature, and have confined ourselves, therefore, to drawing attention to the evidence submitted to, and recorded by, us.

558. On the one hand, indigenous bankers and money-lenders complain that the Imperial Bank has drawn away their own business, while on the other hand, others complain that the activities of the Imperial Bank are too hidebound and restricted.

559. These complaints appear to be contradictory. If the extension of the bank's operations in the sphere of commercial banking is injurious to the indigenous financiers, it should not be an occasion for complaint by them at any rate, that its activities are unnecessarily restricted.

560. There seems to be a good deal of misapprehension on the part of the witnesses who have appeared before us, as to the precise nature of the bank's relations with Government. This misapprehension is clearly widespread, if not universal, in the Central Provinces, and is perhaps but the natural result of the combination of Government business with that of ordinary commercial banking in one institution, and is likely to continue until a separate reserve bank is established.

II

561. Joint stock bank.—Under this heading come all the banks registered under the Indian Companies Act. There are six such banks in the province:—

Three branches of the Allahabad Bank at Raipur, Nagpur and Jubbulpore.
The Bhargava Commercial Bank at Jubbulpore.
The Islamic Bank of India, Jubbulpore.
The Bank of Berar, Limited, Amraoti.

562. Allahabad Bank.—The business which the branches of this bank do is the usual business of commercial banking, *i.e.*, receiving of deposits, the grant of cash credits, the negotiation and collection of bills, remittance, etc. In the matter of advances, they discount bills, open cash credit accounts and give loans. They also do the usual agency and safe custody business, remittance on behalf of their clients, and also buy and sell shares.

563. Like the Imperial Bank, this bank does not directly finance agriculturists.

564. The traders on the approved list get advances on the security of goods kept in godowns owned by or in the possession of the bank. Advances made are well covered by the goods. When the trader wishes to dispose of any of the goods upon which advances have been made, he pays the bank the original value of such goods as he wishes to remove for sale. Traders state that the Allahabad Bank gives greater latitude to its clients than the Imperial Bank and allows the deposited commodity to be removed as soon as the money is deposited, while the Imperial Bank does not release the goods unless the stocks are checked, etc. This the traders say, causes unnecessary delay and loss in business. It is also alleged that nowadays the Allahabad Bank provides very little credit facilities, most of its resources being employed for financing commerce at its offices in the main seaport towns.

565. The Bhargava Commercial Bank.—This was registered in 1893. Its authorized capital is Rs. 3,00,000, subscribed and paid up capital is Rs. 2,50,000. Its function is to lend money, purchase and sell hundis and promissory notes. It makes advances on the security of land and other valuable commodities. It has no branches in the province. The bank is reported to be doing very little business these days, and its resources are not sufficiently large to enable its banking operations to be important.

566. The Islamic of India.—This is a new venture started only in 1928. Its authorized capital is Rs. 20,000, subscribed capital Rs. 2,555 and paid up capital Rs. 1,635. Its declared object is to do trading and banking business. Being quite new, its existence is not known even in Jubbulpore except to a few persons. A bank with a paid up capital of Rs. 1,635 only can hardly be taken seriously.

567. The Berar Bank, Limited.—This was started in 1910. Its authorized and subscribed capital is Rs. 10,00,000. But its paid up capital is Rs. 68,200 only. Mr. W. G. Tambe is the Manager of the bank. The main function of the bank is to do money-lending business. The only difference between this bank and an ordinary sowkar is that the bank is a registered company. It advances loans on promissory notes, on the security of gold and silver ornaments and occasionally on the security of land. Its rate of interest varies from 12 annas to Re. 1-8-0, according to the security offered. About 20 per cent of the bank's clients are said to be agriculturists. The bank advances loans to agriculturists for the maximum term of three years. The bank pays 4 per cent on savings bank accounts and 5 per cent to 6 per cent on fixed deposits. Its sphere of operation is limited by its very limited resources.

III and IV

568. Exchange and Private Banks.—There are no exchange or private banks in the province.

V

569. Indigenous Banks.—It is unfortunate that no statute has clearly defined a "bank" or a "banker". The definitions given in the Negotiable Instruments Act or the Indian Stamp Act are unsatisfactory, as they do not lay down what is meant by banking or who can be regarded as a banker.

570. For the purpose of this enquiry, it has been decided that the term "banker" should apply to those who lend borrowed money as well as their own capital.

571. Those whose business is confined to their own capital, however large in amount, are therefore technically excluded and come only under the definition of money-lenders.

572. To be a bank it is necessary to receive deposits as a matter of ordinary business.

573. Under this definition the firm of Rai Bahadur Bansilal Abirchand is the only indigenous bank in the province. It has eight branches in the province and 17 outside the province. Although it works outside the provisions of the Indian Companies Act, it transacts business on the lines of the modern European banks, including the system of payment by cheques. It differs from the joint stock banks, however, in that it combines trade with banking and also advances loans on the security of immoveable property. The clientele of this firm includes the business community, persons dealing in cotton, grain, sugar, gold and silver, petty traders, farmers, small industrialists and artisans. Among depositors are to be found Government servants, members of the learned professions, minors, widows, etc. Charity funds are also occasionally deposited with them. Their rate of interest on loans varies from 6 to 12 per cent according to the status and character of the borrower and security offered by him. On deposits they pay from 4 to 6 per cent according to the period of deposit.

574. The indigenous money-lender.—This class ranges from the wandering Rohilla money-lender to the big and old established money-lending firms, many of whom consist of a family partnership of merchant money-lenders. Between these extremes is an infinite variety of money-lenders of different castes and ranks in life. The business methods of some are often not above question.

575. No precise information is available with regard to the total capital invested by this class in the business of money-lending, as no statement of capital account or figures of advances to urban borrowers are forthcoming, though the figures for rural areas have been collected by us.

576. Most of the money-lenders combine money-lending with trade and other business, which was, in nearly all cases, their original profession as is explained elsewhere. Some idea of their numbers can be obtained from fact that at last census, 42,669 persons or some 8,534 families were returned as depending solely on money-lending and brokerage in the 22 districts or 87 taluqs of the province.

577. In addition, nearly all the malguzars, many big cultivators, most shop-keepers and numerous retired Government servants and others also do some money-lending.

578. We have already explained that 91 per cent of the total population reside in rural areas, that 47 per cent are actual cultivators, while .74 per cent are dependant upon agriculture. Agricultural produce may be said to dwarf the other products of the province into relative insignificance.

579. It is explained in Chapter IV that out of the total sum of 36,46,57,194 of agricultural debts, 82.85 per cent has been advanced by mahajans or indigenous money-lenders of one kind or another, 11.80 per cent by landlords, 2.75 per cent by co-operative credit banks, while 2.60 per cent is due to Government in the form of taccavi or suspended land revenue. In a

few isolated cases, advances on gold have been made by joint stock banks to big cultivators, but the total is too small to represent any percentage of the total amount of agricultural debt.

580. The history and methods of business of the indigenous money-lender are discussed elsewhere; but the total amount of capital invested in money-lending at present by indigenous money-lenders can be gauged fairly well from the fact that Rs. 34,18,74,011 in loans from landlords and other indigenous money-lenders in cash and grain to agriculturists are at present outstanding.

581. The advances to trade, commerce and for other purposes in urban areas would bring the total to not less than Rs. 45 crores. But no definite figures are forthcoming for urban areas.

582. One feature, common to all indigenous money-lenders, is that they do not make any distinction between loans for productive or unproductive purposes, and that all of them are shrewd businessmen and not philanthropists.

583. Another common feature is that the financial system has not yet developed to the stage when it is usual to extend one's business beyond one's own resources by inviting deposits of outside capital.

584. The money-lenders may be classified under two main heads, *viz.*, (1) village money-lenders and (2) others.

585. Village money-lenders.—Under this category come the village mahajan, the malguzar and the itinerant Rohilla, etc.

586. The mahajan lives in the village and is an essential element in the village community. He possesses an intimate knowledge of the character and credit of each of his clients, an essential element in a successful credit agency. His loans are confined to residents in his village and its immediate neighbourhood. For this reason he has to incur very little expenditure on establishment. But as most of his clients in the Central Provinces have no tangible security to offer beyond their standing crops, which are dependent upon climatic conditions, and some small amount of other moveable property, he charges high rates of interest to cover risks.

587. He usually also keeps a grocery or cloth shop, and often purchases the produce of small cultivators for sale in the wholesale markets. If and when necessary, he borrows from the big money-lenders at the headquarters of the district, but hardly ever invites or receives deposits from the public.

588. As we have explained elsewhere, he was in origin usually a supplier of commodities, subsequently investing his profits as they accrued, in the business of lending.

589. Some money-lenders in the past have acquired considerable landed property in the course of their business.

590. Under present conditions the more respectable money-lenders confine their business to clients with better material and moral credit, the rate of interest depending on the individual credit of the borrower.

591. The Rohillas on the other hand serve as the credit agencies of only those persons who cannot obtain credit elsewhere, *e.g.*, farm labourers, artisans, etc., etc. The Rohilla's interest charges are very high. He relies on his *lathi* rather than on the law courts for the realization of his loans, and he rarely has bad debts. Among other methods which he adopts for recovering his loans, are threats to desecrate burial grounds and village wells, etc., so that if the borrower is dead or untraceable, he is sometimes able to realize the loan with interest from the village community. The Rohillas and Kabulis, however, provide after all only a very small amount of the total loans advanced. They at least perform one service in that they lend money to those members of the community to whom no one else will give credit facilities; and outside the very backward tracts no one ever borrows from them, if their credit is such as to enable them to get money elsewhere. In many parts of the province, the villagers are beginning to be a match for these wandering adventurers, and cases have occurred, when the villagers have curbed their highhandedness, and given them the sound beating which they themselves so frequently threaten to others.

592. Malguzars.—The malguzars or landlord, as he now exists, was created in the settlements of the sixties. His predecessor, the village patel, however, was probably one of the first credit agencies in the village and, even in the days when the cultivators had no rights in land, Mr. Jenkins has reported that the patels often had to give what was then known as taccavi to cultivators in grain to enable them to cultivate their fields.

593. Nearly all malguzars, except those who are themselves heavily indebted, make advances on a larger or smaller scale to their own tenantry for their seasonal requirements.

594. We have already explained in Chapter II the great influence which the malguzar as a rule exercises in his village and how the effect of his influence upon the economic life of the village depends upon his own character. We need not dwell on this point at length again here.

595. A good malguzar will be able to do much to support his tenantry through periods of crop failure, and may often write off considerable sums of arrears in order to keep his cultivators on the land.

596. Unfortunately, however, there is a natural temptation for the malguzar to covet valuable land in the possession of tenants, and those malguzars who are avaricious and who have not the interests of the tenantry at heart, may make use of their money-lending activities to get possession of the tenants' lands. Others may not desire to evict the tenants, but may prefer to reduce them to a stage in which they are completely in their power. We have already quoted instances of this kind. The

principal flaw in the system of money-lending by landlords is that it gives them a dangerous amount of power in the village, which they may at any time misuse.

597. The rates of interest charged and the methods of business do not differ materially from those of the ordinary mahajan who is not a landlord.

598. As has been explained in Chapter II, the advances of the landlords were in the first instance nearly always in grain and although nowadays they also make cash advances, they are still the principal advancers of seed and grain to the tenantry, and a large portion of their lending is in grain.

599. As most cultivators are illiterate, there is a very common tendency among malguzars to credit all payments including rental payments in the first instance to debts. As the malguzar is entitled, under the Land Revenue Act, to have the occupancy tenant ejected when three years' rents are in arrears, this is a very dangerous weapon in the hands of those who are land-grabbers.

600. Others.—This class is very large and includes—

(i) big money-lenders like Chitnavis, Buti, Ghatate, Pande, Diwan Bahadur Jiwandas, Seth Jamnadas, Rai Bahadur Ganeshdas Kundanmal and others residing in the towns. Persons belonging to this class generally own several villages and have cash and grain-lending shops in their villages also. Some occasionally, though not as a matter of ordinary business, accept deposits. Some deal in hundis also.

(ii) Small lenders who operate in the towns and finance the artizans, small contractors, labouring classes, hawkers and persons of that status.

(iii) Traders and adatyas who finance agriculturists some on the express condition, others in the hope, that those who borrow from them will also sell their produce through them.

(iv) Shop-keepers who sell commodities on credit and charge interest on the sums outstanding over a month. They also lend money to their customers.

(v) A large number of "non-descripts" on credit and to classify. As a matter of fact nowadays any one who has a couple of hundred rupees, begins to lend on interest to his needy neighbours.

VI

601. Terms of advances and rates of interest.—Loans are made on the security of land, houses, ornaments and in some places and on rare occasions on the security of cattle and crops. Loans on personal security are advanced on bonds, pro-notes, account book entries and in the southern districts on the *mahin khat* or War system (*vide* Sondar, Bhandara district, Appendix E-XXVII).

602. Seasonal advances are generally made on *sawai* (*i.e.*, 25 per cent interest), and are repaid with interest within six or eight months if the harvest is normal. Other loans are generally repaid in instalments. On default of any one instalment, there is usually a stipulation for penal interest at a higher rate. Generally speaking, the rate of interest is lower in the Central Provinces districts than in Berar.

603. In Berar 12 to 18 per cent is the most common rate on well secured loans, while in the Central Provinces districts loans on mortgages can easily be obtained at 9 to 12 per cent.

604. The rate of interest on unsecured loan depends on the character of the borrower and the amount borrowed and varies from 18 to 75 per cent, the most common rate being 24 per cent with a stipulation for penal interest at 37½ per cent in default of payment on the due date.

605. The practice of deducting various sums at the time of making loans on account of *gorakshan*, *dharmada*, *kasarkhata*, *batta*, etc., obtains all over the province. The amount of these deductions depends on the cupidity of the individual lender and the stupidity and necessity of the individual borrower. It also depends to a certain degree upon established local custom.

606. As is explained hereafter, the annual interest charges at these rates cause a heavy drain upon the agricultural community. We explain in Chapter IV hereafter that the total annual interest charges approximate at present to 7 crores of rupees against a total land revenue demand for the whole of the Central Provinces and Berar amounting to Rs. ~~2,17,36,756~~. 2,82,40,756.

VII

607. **Co-operative banks.**—Next in importance, so far as agricultural finance is concerned, are the co-operative credit banks. The principles on which the co-operative movement is based, the progress made, the difficulties encountered and defects in its present system are discussed in detail in Part III, Chapter XI.

608. We confine ourselves here to a brief description of the different links in the chain of co-operative banking.

609. First in order comes the primary or rural credit society which is the foundation on which the edifice of co-operative finance has been raised. It is essentially a village institution, the membership being limited to the residents of the same village, with the original intention that they should have sufficient mutual knowledge of one another to enable them to make the best use of their joint and unlimited responsibility. There are 3,787 such societies in the province with a working capital of Rs. 1,62,46,777. The total membership of these societies is 57,320 or an average of 15 members per society. In a number of villages there are more than one society, while in many others there is none. There are several whole tahsils where no societies have yet been formed, *e.g.*, Chanda tahsil of the Chanda district. The total amount outstanding against these societies is Rs. 1,35,90,333 or Rs. 237 per member. There are a considerable number of societies,

few isolated cases, advances on gold have been made by joint stock banks to big cultivators, but the total is too small to represent any percentage of the total amount of agricultural debt.

580. The history and methods of business of the indigenous money-lender are discussed elsewhere; but the total amount of capital invested in money-lending at present by indigenous money-lenders can be gauged fairly well from the fact that Rs. 34,18,74,011 in loans from landlords and other indigenous money-lenders in cash and grain to agriculturists are at present outstanding.

581. The advances to trade, commerce and for other purposes in urban areas would bring the total to not less than Rs. 45 crores. But no definite figures are forthcoming for urban areas.

582. One feature, common to all indigenous money-lenders, is that they do not make any distinction between loans for productive or unproductive purposes, and that all of them are shrewd businessmen and not philanthropists.

583. Another common feature is that the financial system has not yet developed to the stage when it is usual to extend one's business beyond one's own resources by inviting deposits of outside capital.

584. The money-lenders may be classified under two main heads, *viz.*, (1) village money-lenders and (2) others.

585. Village money-lenders.—Under this category come the village mahajan, the malguzar and the itinerant Rohilla, etc.

586. The mahajan lives in the village and is an essential element in the village community. He possesses an intimate knowledge of the character and credit of each of his clients, an essential element in a successful credit agency. His loans are confined to residents in his village and its immediate neighbourhood. For this reason he has to incur very little expenditure on establishment. But as most of his clients in the Central Provinces have no tangible security to offer beyond their standing crops, which are dependent upon climatic conditions, and some small amount of other moveable property, he charges high rates of interest to cover risks.

587. He usually also keeps a grocery or cloth shop, and often purchases the produce of small cultivators for sale in the wholesale markets. If and when necessary, he borrows from the big money-lenders at the headquarters of the district, but hardly ever invites or receives deposits from the public.

588. As we have explained elsewhere, he was in origin usually a supplier of commodities, subsequently investing his profits as they accrued, in the business of lending.

589. Some money-lenders in the past have acquired considerable landed property in the course of their business.

590. Under present conditions the more respectable money-lenders confine their business to clients with better material and moral credit, the rate of interest depending on the individual credit of the borrower.

591. The Rohillas on the other hand serve as the credit agencies of only those persons who cannot obtain credit elsewhere, *e.g.*, farm labourers, artisans, etc., etc. The Rohilla's interest charges are very high. He relies on his *lathi* rather than on the law courts for the realization of his loans, and he rarely has bad debts. Among other methods which he adopts for recovering his loans, are threats to desecrate burial grounds and village wells, etc., so that if the borrower is dead or untraceable, he is sometimes able to realize the loan with interest from the village community. The Rohillas and Kabulis, however, provide after all only a very small amount of the total loans advanced. They at least perform one service in that they lend money to those members of the community to whom no one else will give credit facilities; and outside the very backward tracts no one ever borrows from them, if their credit is such as to enable them to get money elsewhere. In many parts of the province, the villagers are beginning to be a match for these wandering adventurers, and cases have occurred, when the villagers have curbed their highhandedness, and given them the sound beating which they themselves so frequently threaten to others.

592. Malguzars.—The malguzars or landlord, as he now exists, was created in the settlements of the sixties. His predecessor, the village patel, however, was probably one of the first credit agencies in the village and, even in the days when the cultivators had no rights in land, Mr. Jenkins has reported that the patels often had to give what was then known as taccavi to cultivators in grain to enable them to cultivate their fields.

593. Nearly all malguzars, except those who are themselves heavily indebted, make advances on a larger or smaller scale to their own tenantry for their seasonal requirements.

594. We have already explained in Chapter II the great influence which the malguzar as a rule exercises in his village and how the effect of his influence upon the economic life of the village depends upon his own character. We need not dwell on this point at length again here.

595. A good malguzar will be able to do much to support his tenantry through periods of crop failure, and may often write off considerable sums of arrears in order to keep his cultivators on the land.

596. Unfortunately, however, there is a natural temptation for the malguzar to covet valuable land in the possession of tenants, and those malguzars who are avaricious and who have not the interests of the tenantry at heart, may make use of their money-lending activities to get possession of the tenants' lands. Others may not desire to evict the tenants, but may prefer to reduce them to a stage in which they are completely in their power. We have already quoted instances of this kind. The

principal flaw in the system of money-lending by landlords is that it gives them a dangerous amount of power in the village, which they may at any time misuse.

597. The rates of interest charged and the methods of business do not differ materially from those of the ordinary mahajan who is not a landlord.

598. As has been explained in Chapter II, the advances of the landlords were in the first instance nearly always in grain and although nowadays they also make cash advances, they are still the principal advancers of seed and grain to the tenantry, and a large portion of their lending is in grain.

599. As most cultivators are illiterate, there is a very common tendency among malguzars to credit all payments including rental payments in the first instance to debts. As the malguzar is entitled, under the Land Revenue Act, to have the occupancy tenant ejected when three years' rents are in arrears, this is a very dangerous weapon in the hands of those who are land-grabbers.

600. Others.—This class is very large and includes—

(i) big money-lenders like Chitnavis, Buti, Ghatate, Pande, Diwan Bahadur Jiwandas, Seth Jamnadas, Rai Bahadur Ganeshdas Kundanmal and others residing in the towns. Persons belonging to this class generally own several villages and have cash and grain-lending shops in their villages also. Some occasionally, though not as a matter of ordinary business, accept deposits. Some deal in hundis also.

(ii) Small lenders who operate in the towns and finance the artizans, small contractors, labouring classes, hawkers and persons of that status.

(iii) Traders and adatyas who finance agriculturists some on the express condition, others in the hope, that those who borrow from them will also sell their produce through them.

(iv) Shop-keepers who sell commodities on credit and charge interest on the sums outstanding over a month. They also lend money to their customers.

(v) A large number of "non-descripts" on credit and to classify. As a matter of fact nowadays any one who has a couple of hundred rupees, begins to lend on interest to his needy neighbours.

VI

601. Terms of advances and rates of interest.—Loans are made on the security of land, houses, ornaments and in some places and on rare occasions on the security of cattle and crops. Loans on personal security are advanced on bonds, pro-notes, account book entries and in the southern districts on the *mahin khat* or War system (*vide* Sondar, Bhandara district, Appendix E-XXVII).

602. Seasonal advances are generally made on *sawai* (*i.e.*, 25 per cent interest), and are repaid with interest within six or eight months if the harvest is normal. Other loans are generally repaid in instalments. On default of any one instalment, there is usually a stipulation for penal interest at a higher rate. Generally speaking, the rate of interest is lower in the Central Provinces districts than in Berar.

603. In Berar 12 to 18 per cent is the most common rate on well secured loans, while in the Central Provinces districts loans on mortgages can easily be obtained at 9 to 12 per cent.

604. The rate of interest on unsecured loan depends on the character of the borrower and the amount borrowed and varies from 18 to 75 per cent, the most common rate being 24 per cent with a stipulation for penal interest at 37½ per cent in default of payment on the due date.

605. The practice of deducting various sums at the time of making loans on account of *gorakshan*, *dharmada*, *kasarkhata*, *batta*, etc., obtains all over the province. The amount of these deductions depends on the cupidity of the individual lender and the stupidity and necessity of the individual borrower. It also depends to a certain degree upon established local custom.

606. As is explained hereafter, the annual interest charges at these rates cause a heavy drain upon the agricultural community. We explain in Chapter IV hereafter that the total annual interest charges approximate at present to 7 crores of rupees against a total land revenue demand for the whole of the Central Provinces and Berar amounting to Rs. ~~2,17,36,756~~. 2,82,40,756.

VII

607. **Co-operative banks.**—Next in importance, so far as agricultural finance is concerned, are the co-operative credit banks. The principles on which the co-operative movement is based, the progress made, the difficulties encountered and defects in its present system are discussed in detail in Part III, Chapter XI.

608. We confine ourselves here to a brief description of the different links in the chain of co-operative banking.

609. First in order comes the primary or rural credit society which is the foundation on which the edifice of co-operative finance has been raised. It is essentially a village institution, the membership being limited to the residents of the same village, with the original intention that they should have sufficient mutual knowledge of one another to enable them to make the best use of their joint and unlimited responsibility. There are 3,787 such societies in the province with a working capital of Rs. 1,62,46,777. The total membership of these societies is 57,320 or an average of 15 members per society. In a number of villages there are more than one society, while in many others there is none. There are several whole tahsils where no societies have yet been formed, *e.g.*, Chanda tahsil of the Chanda district. The total amount outstanding against these societies is Rs. 1,35,90,333 or Rs. 237 per member. There are a considerable number of societies,

particularly in some of the northern districts which are in a bad state, and the sooner they cease to exist the better for all concerned.

610. The rates of interest which societies charge to members is usually between 12 per cent and 15 per cent. When the society has built up a reserve, they obtain interest at a slightly lower rate and charge in these cases from 9 per cent to 11 per cent from members.

611. For industrial workers and other poorer classes some non-agricultural societies have been formed, but these are very few in number.

612. While the agricultural credit societies have to accept unlimited liability, non-agricultural societies have the option of either limited or unlimited liability. They may be for credit or for purposes other than credit. We have societies of both varieties in our province; but the agricultural societies are all borrowing societies. There are 26 non-agricultural credit societies with limited liability. The membership of these societies is 13,535 and the working capital is Rs. 9,97,306. The total outstanding amount against the members is Rs. 10,33,223 or Rs. 76 per member. Their rate of interest is from 9 to 12½ per cent. There are 38 societies with unlimited liability with a membership of 528 members and working capital of Rs. 32,199. The total loans advanced to the members is Rs. 17,688 or Rs. 33-8-0 per member. They charge 9 to 18¾ per cent interest from members. There are 11 non-agricultural societies for purposes other than credit. Their membership is 1,848 and the working capital is Rs. 2,40,761.

613. Next in order comes the Central Bank, whose main function has always been to attract capital and to finance primary societies. There are 34 Central Banks in the province with a working capital of Rs. 2,26,36,280. Their reserve and other funds amount to Rs. 26,29,727. They hold Rs. 1,34,55,126 as deposits from individuals. The amount of surplus fluid capital accumulated by the Central Banks is Rs. 22,99,358 of which Rs. 12,73,816 is invested in the Provincial Bank in the name of the Registrar, and the balance of Rs. 10,25,542 is invested in Government securities. They usually charge 9 per cent to societies, although in some cases where the society gets the benefit of its reserve the rate is slightly lower, while in some cases up to 12 per cent is charged.

614. Last in order is the Provincial Bank, the apex of the co-operative banking organization. Its main function is intended to be the co-ordination and control of the working of Central Banks and the balancing of the excesses and deficiencies in the capital requirements of Central Banks.

615. Its working capital is Rs. 1,02,79,327. The deposits received from individuals are Rs. 25,04,037, from the Central Banks direct Rs. 11,22,666 and through the Registrar Rs. 45,06,721. The savings banks deposits amount to Rs. 5,52,955 and the deposits in current accounts to Rs. 3,86,336. It charges 6½ per cent on money lent to Central Banks. The number of all kinds of societies

excluding the co-operative stores, agricultural association, adult education societies, circle unions and federations, is 3,865, with a total membership of 72,107. The total population of the British districts is 15,186,693 or 3,037,339 families of five persons. The movement at present has touched therefore only a little over 2 per cent of the total population.

VIII

616. Post offices and other saving banks.—The Imperial Bank of India, the joint stock banks and the Co-operative Central Banks have savings banks departments, but the savings bank business of the Imperial Bank and joint stock banks is almost entirely confined to the urban areas in which they have branches, while the savings banks business of the Co-operative Central Banks is almost entirely confined to the towns. In addition, there are in all 11 head offices, 214 sub-offices and 1,060 branch offices of the Potal Department in the province. The total amount deposited in the post office savings banks is Rs. 1,08,95,140.

617. Cash certificates have also attracted a considerable amount of capital since their introduction. The total amount invested in these cash certificates in the province at present is Rs. 97,61,687. In addition Rs. 12,08,945 have been invested in bonds and in investment certificates.

618. It will be seen therefore that the post office savings banks do a very considerable business, as is explained in greater detail in Chapter XVI—Investment habit; but the fact that this business is confined almost entirely to urban areas is not always realized. There are in all only 542 post offices which have savings banks branches: nearly all of these offices are at the district or tahsil headquarters or at large trading centres. The total area of the province is 98,876 square miles and the total population 15,186,693; so that there is at present only one post office savings bank per 182.5 square miles and per 28,019 members of the population.

619. As a matter of fact, the majority of the post office savings banks are in the more closely populated tracts where there are a larger number of towns, and there are considerable areas of the province, particularly outside the cotton zone, where there is probably not more than one post office savings bank to 500 square miles. Nearly all the savings invested in the post office savings banks come from the towns, and out of the 91 per cent who dwell in rural areas probably not 1 per cent have any savings invested in the post office. This question is dealt with hereafter.

IX

620. Government.—Under the Agriculturists' Loans Act and the Land Improvement Loans Act the Government advances money to agriculturists for certain purposes in the form popularly known as taccavi.

621. Agriculturists' Loans Act.—Loans under this Act are given to agriculturists for the purchase of seed, cattle and for other objects connected with agriculture. These loans form the first charge on the property of the borrower after rent and

revenue, and under special provision of the Law the tenancy land of the occupancy tenant, which is not otherwise transferable, can be sold in recovery of these loans. According to the existing practice, however, it is usual to make advances on the joint security of a number of borrowers of the same village. Under the existing local rules the amount advanced on such security should not exceed 5 times the annual rent in case of the tenants and five times the land revenue in the case of others. Ordinarily these loans are repayable in two, or a maximum of three, instalments, advances for the purchase of seed being ordinarily recovered in one instalment. The total amount of taccavi under the Agriculturists' Loans Act outstanding on the 31st March 1930 was Rs. 54,50,673, a very great portion of which was advanced in scarcity affected areas in the wheat zone in the north of the province, as is explained hereafter.

622. Land Improvement Laons Act.—Loans under this Act can be made for—

(*a*) the construction of wells and tanks;
(*b*) the preparation of land for irrigation;
(*c*) the drainage, reclamation from rivers or other waters or protection from floods of land used for agricultural purposes; and
(*d*) the permanent improvement of land for agricultural purposes.

623. The usual security is the borrower's land to be improved by the loan which is usually hypothecated as a security. In case this security is not sufficient by itself, the personal security of a surety may be taken or other land belonging to the borrower or belonging to the surety may be hypothecated. In cases where a number of villagers jointly borrow loans under this Act advances are made on their joint responsibility, in which case the amount of loans advanced should not ordinarily exceed 5 times the rent paid by them. The rules lay down that in fixing the term for repayment of the loans regard should be had to the probable duration of the improvement, but in ordinary cases the term should not exceed 20 years. As a matter of fact, however, the term fixed according to usual practice is not more than five or six years. The total amount outstanding under this Act on the 31st March 1930 was Rs. 26,57,793, most of which was advanced during the last 2 years in the scarcity affected areas in the wheat zone in the north of the province.

624. Interest.—The interest charged under both the Acts at present is 6¼ per cent, provided that if the instalments on principal or interest are not paid on the date fixed, the Deputy Commissioner at his discretion may charge up to 12½ per cent per annum on such instalments. Our enquiries, however, show than in actual practice this penal stipulation is hardly ever enforced.

625. As is explained hereafter, the amount actually distributed under these Acts is relatively insignificant when compared with the financial requirements of the province. The whole subject of Government loan operations is discussed, in Chapter VI.

PART. II

CHAPTER IV.—AGRICULTURAL INDEBTEDNESS.

I

VOLUME OF DEBT.

626. The methods adopted by us for estimating (1) the volume and distribution of agricultural debt in each district, and (2) the percentage borrowed for different purposes and from different sources have been explained in Chapter I,

627. The volume of agricultural debt found to be outstanding in the course of our enquiries of October-November 1929 is exhibited in the following statement :—

STATEMENT

Zone and district.	Total agricultural debt.	Percentage.	
		Secured.	Unsecured.
1	2	3	4
Cotton Zone.	Rs.	Rs.	Rs.
1. Amraoti ...	3,93,98,798	58	42
2. Akola ...	4,41,97,172	63	37
3. Buldana ...	3,67,11,584	65	35
4. Yeotmal ...	3,14,85,230	60	40
Total for Berar ...	15,16,92,784	61·5	38·5
5. Nimar ...	1,62,54,056	33·3	66·7
6. Wardha ...	1,88,62,904	16·6	83·4
7. Nagpur ...	2,70,18,102	25	75
Total for Zone ...	21,38,27,846	43·3	56·7
Rice Zone.			
1. Raipur ...	99,37,864	...	...
2. Bilaspur ...	75,81,246	...	...
3. Drug ...	71,51,567	...	...
4. Balaghat ...	66,12,557	33·3	66·7
5. Bhandara ...	1,65,05,579	33	67
6. Chanda ...	93,70,487	11·5	88·5
Total ...	5,71,59,300	25 9	74·1
Wheat Zone.			
1. Jubbulpore ...	2,08,40,675	14	86·0
2. Saugor ...	1,78,24,308	12·5	87·5
3. Damoh ...	99,80,200	16·6	83·4
4. Narsinghpur ...	70,08,627	27·0	73·0
5. Hoshangabad ...	1,49,86,344	16·6	83·4
Total for Zone ...	7,06,40,154	17·4	82·6
Plateau Zone.			
1. Mandla ...	27,97,740	4	96
2. Seoni ...	64,30,574	33	67
3. Chhindwara ...	88,49,283	40	60
4. Betul ...	49,52,297	16·6	83·4
Total for Zone ...	2,30,29,894	23·4	76·6
Total for the whole province ...	36,46,57,194	27·5	72·5

Total landlords' debt.	Value of the landed property held by landlords in Central Provinces and by Kabzedars in Berar.	Cultivators' debt.		
		Amount.	Incidence.	
			Per acre held.	Per rupee of rent or revenue paid.
5	6	7	8	9
Rs.	Rs.	Rs.	Rs. a. p.	
...	18,34,23,100	3,92,98,798	21 0 0	12½
...	22,17,62,400	4,41,97,172	19 0 0	14
..	19,48,79,000	3,67,11,584	18 13 0	14
...	22,99,59,900	3,14,85,230	13 11 0	26
...	83,00,24,400	15,16,92,784	18 0 0	16
41,30,672	1,56,85,848	1,21,23,384	11 0 0	16
39,49,582	4,82,22,411	1,49,13,322	15 8 0	14
95,56,421	4,50,55,131	1,74,61,681	13 0 0	9
1,76,36,675	10,89,63,390	19,61,91,171	16 4 0	15
48,18,192	4,25,60,696	51,19,672	2 0 0	1
36,89,646	2,70,57,404	38,91,600	2 0 0	4
49,08,586	3,43,60,172	22,42,981	2 8 0	2½
22,92,130	1,83,45,400	43,20,427	7 0 0	6
10,90,878	3,49,75,080	1,24,14,701	14 4 0	14
15,28,296	1,14,73,488	77,90,191	6 8 0	10
2,13,79,728	16,10,38,520	3,57,79,572	5 11 0	6½
82,16,479	3,12,58,320	1,26,24,196	10 0 0	8
25,38,834	2,62,34,339	1,52,85,474	14 12 0	12
31,51,819	1,53,39,324	68,28,381	11 0 0	11
15,23,842	2,36,29,905	54,84,785	9 0 0	5
36,54,836	2,46,70,143	1,13,31,508	11 8 0	7½
1,90,85,810	12,11,32,031	5,15,54,344	11 9 0	8½
15,23,457	60,00,540	12,74,288	1 2 0	3
25,79,063	1,77,25,539	38,51,511	4 8 0	7
28,03,512	3,10,05,840	60,45,771	5 12 0	8
8,82,183	1,51,11,619	40,70,114	3 14 0	8
77,88,215	6,98,43,538	1,52,41,679	3 13 0	6½
6,58,90,428	46,09,77,479	29,87,66,766	9 5 0	9½

628. These figures are dealt with in detail for each district in Appendix J.

629. Certain features jump to the eye.

630. **Proportion of secured and unsecured debts.**—The percentage of secured debts is far higher in Berar than in the Central Provinces. The reason will be clear when it is remembered that under the Berar Land Tenure, 95 per cent of the land held is transferable by sale or mortgage, while in the Central Provinces only 29 per cent including the home-farm is transferable (*vide* Chapter II, paragraphs 104 and 528, land tenures).

631. As explained in our village enquiry notes, loans in Berar are usually, in the first instance, taken on a simple money bond or acknowledgment. When a debt owing to non-payment of interest or other causes reaches an amount, for which, having regard to the assets of the debtor, some collateral security appears desirable, the debt is usually converted into a mortgage on the land.

632. For the purchase of land, etc., where substantial sums are borrowed, mortgages are sometimes executed in the first instance. But these cases are relatively rare.

633. It is of interest to point out here that 16 per cent of the total land held in Berar or 1,367,130 acres are at present mortgaged as security for the secured debts, as is explained in the separate note on Berar (Appendix J-I). At an all round valuation of Rs. 100 per acre, the all-round encumbrance on the mortgaged land represents 61 per cent of the market value, but amounts also to 61.5 per cent of the total agricultural debt of Berar.

634. Our intensive surveys, however, also show that the land actually mortgaged as security for debt does not always represent the total landed property or total assets of the mortgagor concerned. Usually in the case of big men only so much land is mortgaged, as the creditor considers necessary for collateral security.

635. As is also explained hereafter, our intensive enquiries showed that in the cotton zone as a whole only 4½ per cent of the cultivators are hopelessly indebted, but their debts amount to 40 per cent of the total agricultural debt. It is clear therefore that in the great majority of cases in Berar the mortgage encumbrance represents much less than 61 per cent of assets.

636. With the great fall in land values and the temporary financial stringency in Berar, which has resulted from the fall in the price of cotton, sowkars have hastened to get mortgages written for all those debts for which some collateral security seemed necessary. This explains the relatively high percentage of secured debt in Berar, and it will be correct to say that none of the persons in Berar owing only unsecured debts at present are seriously involved in debt.

637. Among the districts of the Central Provinces, Chhindwara, Seoni, Balaghat and Nimar exhibit a higher percentage of secured debts than other districts.

638. The relatively high percentage of 33.3 in Nimar is partly explained by the large area held in malik-makbuza right in that district, which is discussed in a separate note on Nimar contained in Appendix J-XIII, and partly by the relatively high landlords' debt.

639. In Balaghat the percentage of secured debts, *i.e.*, 33.3, is explained by the relatively small percentage of tenancy debt, the landlords' debt of Rs. 22,92,103 amounting to over 33 per cent of the total indebtedness. The secured debt in this district consists mainly of debt owed by malguzars with the usual percentage of secured debt owed by absolute-occupancy tenants and malik-makbuzas.

640. The same remarks apply to the Seoni district, where the malguzars' debt represents approximately 40 per cent of the total agricultural indebtedness, while the total secured debt is 33 per cent of the whole.

641. In Chhindwara district the secured debt represents 40 per cent of the whole, which is the highest percentage for the Central Provinces. Here the malguzars' debts amount to 38 per cent of the whole. In this district there are considerable areas of very valuable absolute-occupancy and malik-makbuza land, particularly in the fertile cotton-growing Sausar tahsil, which have been mortgaged as security for debts.

642. The same remarks apply to the Narsinghpur district, where the percentage of the secured debt is 27. Here land values are high; and although the malguzari debt represents only 23 per cent of the total agricultural debt, the valuable absolute-occupancy and malik-makbuza land has in many cases been used as a security for loans.

643. In the three districts of Balaghat, Narsinghpur and Seoni, the total volume of indebtedness is relatively small, and it would be more correct to state that the relatively high percentage of secured debt is not due to the large amount of secured debt, but to the relatively small amount of unsecured debt.

II

The Profit and Loss Account.

644. It will be seen that the total provincial agricultural debt works out at approximately 36½ crores of rupees, of which the debts of the seven districts of the cotton zone account for 21 crores and 39 lakhs or 59 per cent of the whole.

645. As is explained in Chapter I, the mere statement of the volume of debt conveys little if any meaning, unless we also examine the credit side of the balance sheet and the profit and loss account

646. Here the results of our economy survey set out in Chapter II become important.

647. In the following statement we show for each district and zone and for the province as a whole, the total volume of agricultural debt outstanding at the time of our survey of indebtedness (*i.e.*, October and November 1929), and the approximate interest charges thereon, together with the total costs of maintenance, costs of cultivation and assessment charges, and the value of the gross crop outturn in a normal year after making deductions for marketing, and the normal balance of agricultural income over these necessary items of expenditure in a normal year.

648. **Non-agricultural income.**—It should be noted that we have not in this statement included the income from non-agricultural or subsidiary sources.

649. We have explained in Chapter II how important this income is. It varies greatly from district to district and from individual to individual. We have explained in the statement in paragraph 462 of Chapter II that in the case of the 7,581 families whose economic position was examined in the course of our surveys all over the province, the average income from these subsidiary or non-agricultural sources worked out at Rs. 159 per cultivator's family.

650. We have explained that in the time at our disposal it would have been quite impossible for us to collect reliable information with regard to the total income from these non-agricultural or subsidiary sources even for each district or for the province as a whole.

651. We have stated, however, that we are quite satisfied that the income from these sources for the province as a whole cannot be less than an average of Rs. 50 per cultivating family, *i.e.*, Rs. 65,82,625 for the 1,316,525 cultivating families of the province. It is probably far more, and in some districts it is certainly far more as is explained in the district notes, Appendices J-I to J-XVII.

652. We now come to the statement referred to in paragraph 647.

STATEMENT

District and Zone.	Total debt.	Interest charges.	Value of total gross outturn in a normal year after deducting for "marketing".
1	2	3	4
Cotton Zone.	Rs.	Rs.	Rs.
Amraoti ...	3,92,98,798	78,59,757	4,87,28,151
Akola ...	4,41,97,172	88,39,434	5,69,06,721
Buldana ...	3,67,11,584	73,42,316	4,48,54,363
Yeotmal ...	3,14,85,230	62,97,046	4,30,54,423
Nimar ...	1,62,54,056	32,50,811	2,49,52,051
Wardha ...	1,88,62,904	37,72,581	2,89,36,235
Nagpur ...	2,70,18,102	54,03,620	3,80,72,622
Total ...	21,38,27,846	4,27,65,565	28,55,04,566
Rice Zone.			
Raipur ...	99,37,864	19,87,573	7,47,19,471
Bilaspur ...	75,81,246	15,16,255	5,96,54,712
Drug ...	71,51,567	14,30,313	4,80,64,250
Balaghat ...	66,12,557	13,22,511	2,53,43,745
Chanda ...	93,70,487	18,74,097	2,81,46,209
Bhandara ...	1,65,05,579	33,01,115	3,55,58,154
Total ...	5,71,59,300	1,14,31,864	27,14,86,541
Wheat Zone.			
Jubbulpore ...	2,08,40,675	41,68,135	2,98,71,671
Saugor ...	1,78,24,308	35,64,861	2,50,79,255
Damoh ...	99,80,200	19,98,040	1,46,95,072
Narsinghpur ...	70,08,627	14,01,725	1,81,01,086
Hoshangabad ...	1,49,86,344	29,97,268	2,55,49,473
Total ...	7,06,40,154	1,41,30,029	11,32,96,557
Plateau Zone.			
Mandla ...	27,97,740	5,59,548	1,69,50,441
Seoni ...	64,30,574	12,86,114	1,89,96,298
Chhindwara ...	88,49,283	17,69,856	2,40,78,005
Betul ...	49,52,297	9,90,459	1,70,73,655
Total ...	2,30,29,894	46,05,977	7,70,98,399
Total for the province	36,46,57,194	7,29,31,435	74,73,86,063

VC5 153

Cost of maintenance.	Cost of cultivation.	Rent.	Total cost.	Balance of Col. 4 over Col. 8.
5	6	7	8	9
Rs.	Rs.	Rs.	Rs.	Rs.
1,58,84,589	1,71,86,032	30,60,776	3,61,31,397	1,25,96,754
1,86,16,542	2,01,94,772	31,29,966	4,19,41,280	1,49,65,441
1,92,93,001	1,48,53,523	25,50,522	3,66,97,046	81,57,317
1,54,36,869	1,45,83,306	12,06,310	3,12,26,485	1,18,27,938
89,62,620	75,70,060	8,48,597	1,73,81,277	75,70,774
73,81,220	97,57,325	10,96,610	1,82,35,155	1,07,01,080
1,05,18,365	1,17,36,470	19,32,756	2,41,87,591	1,38,85,031
9,60,93,206	9,58,81,488	1,38,25,537	20,58,00,231	7,97,04,335
	450			
8,03,99,790	2,38,04,672	12,84,793		
	1,77,11,727	9,74,558	13,99,65,526	4,24,72,907
	1,47,93,012	9,96,974		
1,13,85,640	72,91,908	6,89,644	1,93,67,212	59,76,533
1,22,31,220	89,82,967	8,80,765	2,20,94,052	60,52,157
1,36,03,320	1,03,79,156	10,10,311	2,49,92,787	1,05,65,367
11,76,19,970	8,29,62,542	58,37,065	20,64,19,577	6,50,66,964
	829.63 #4			
1,35,71,485	94,68,575	15,31,150	2,45,71,410	53,00,461
86,07,695	79,43,661	13,51,682	1,79,03,038	71,76,217
56,92,825	46,75,457	7,34,939	1,11,03,221	35,91,851
68,14,440	48,63,694	11,65,124	1,25,43,258	52,57,828
78,78,975	80,06,370	14,07,406	1,72,92,751	82,56,722
4,25,65,420	3,49,57,757	61,90,301	8,37,13,478	2,95,83,079
92,09,745	51,61,913	4,32,542	1,48,04,200	21,46,241
78,28,820	64,74,906	6,84,784	1,49,88,510	40,07,788
1,11,21,440	74,70,514	7,06,206	1,92,98,160	47,79,845
82,97,685	60,32,278	5,64,330	1,48,94,293	21,79,362
3,64,57,690	2,51,39,611	23,87,862	6,39,85,163	1,31,13,236
29,27,36,286	23,89,41,398	2,82,40,765	55,99,18,449	18,74,67,614

653. Analysis of indebtedness.—It will be seen that the total debt represents about 49 per cent of the value of the normal gross crop outturn, and about 66 per cent of the total annual costs of maintenance, cultivation, and assessment. It represents 1½ times the balance of agricultural income over these necessary items of expenditure and about 5/6ths. of the balance, if we add Rs. 65,82,625 at Rs. 50 per cultivating family for subsidiary income.

654. The interest charges amount to 2½ times the total land revenue demand and to more than one-third of the normal balance from agricultural income. The total cultivators' debt represents Rs. 227 per cultivating family, and the interest charges thereon to an average of Rs. 45-8-0 per cultivating family per annum. Other interesting comparisons can be drawn from these statistics.

655. Value of gold and silver owned by cultivators.—Elsewhere in this report, and particularly in Chapter XVI, we have explained that one of the principal forms of so-called investment of surpluses is the purchase of gold and silver ornaments.

656. We do not propose to dwell on this question here beyond inviting a reference to the statement in paragraph 2247 of Chapter XVI showing the value of the gold and silver ornaments admittedly possessed by the cultivators in the villages intensively surveyed by us. The average per cultivating family worked out at Rs. 144.

657. Applying the same average to the malguzars also, this would indicate that the total value of gold and silver jewellery possessed by the agricultural community for this province was not less than 19 crores of rupees.

658. Non-agricultural assets and agricultural debt compared.—Again in paragraph 454 of Chapter II we have made a very low valuation of the total number of cattle owned in rural areas. This valuation comes to 35¾ crores of rupees as is therein explained. We may sum up as follows:—

		Rs.
Value of gold and silver ornaments	...	19,88,35,344
Value of cattle ...	...	35,73,00,995
Total	...	55,61,36,339
Total agricultural debt	...	36,46,57,194

But it would be unsafe to argue from this that the value of the cattle and jewellery owned by every cultivator exceeds the amount of his debts.

659. It is true that many such cases do occur and that many cultivators owing money, particularly those who have borrowed money for productive purposes, possess a considerable amount of cattle and jewellery. But most of the gold and silver ornaments are owned by the richer men with few or no debts, many of whom are themselves also money-lenders.

660. We do not consider it necessary to discuss further here a question which we have dealt with separately in Chapter XVI. But we should have presented an incomplete and misleading picture of rural economy in this province, if we had omitted these very important items from the provincial balance sheet.

III

Fluctuations in the amount of outstanding debt.

661. We have given throughout in the estimates of debt the actual figures obtained by calculation according to our method explained in Chapter I.

662. But it is hardly necessary to point out that these figures must always be approximate only. Interest on outstanding loans is always accumulating, while in various parts of the province fresh loans are being taken and repayments of principal and interest are being made from day to day. The amount of total debt must therefore always be varying.

663. Seasonal loans.—It should, however, be borne in mind that at the time when our statistics of indebtedness were collected (October and November), all the annual seasonal loans were outstanding.

664. In Chhattisgarh, where debts have always been relatively insignificant, grain, outside the area of urban influence, is still an important medium of exchange, which in many tracts has not advanced much beyond the stage of barter.

665. For these tracts money is required only for certain cash payments, *e.g.*, for the pavment of rent, periodic purchase of agricultural cattle, etc., etc.

666. According to immemorial custom, cultivators do not put on the market more than their surplus grain after reserving sufficient for the coming year for their maintenance, seed and payment of wages, etc., in kind, as is explained in Chapter II. Here the system of taking seasonal loans for financing agricultural operations is less common, although several tenants take advances of seed. This is also true for the less developed tracts of the Satpura zone, etc.

667. At the other extreme lies the much more developed cotton zone. Cotton, which is the principal crop, and the oilseeds are money crops. Here money is the ordinary medium of exchange, and our village surveys show that on the average at least half of the cultivators habitually have cash credits with their local soukar, and habitually take for financing their agricultural operations, and sometimes for their household expenses as well, short-term or seasonal loans, which are normally repaid at harvest after the crop has been marketed. This aspect of the case is discussed elsewhere.

668. But it is most important to note here that, as a result of this system, a large portion of the total cultivating expenses of the cotton zone, amounting to not less than 40 per cent of the whole, are annually borrowed, and repaid at harvest, if there is no serious crop failure.

669. In the wheat zone also, where seed is an expensive item, a very large number of cultivators habitually take seed and cash advances.

670. According to establish custom, these seasonal loans are ordinarily regularly repaid at harvest. In the normal year they are repaid in full; if the crop is bad they are of course not repaid in full, if at all; while in a year of bumper crops, the arrears of bad years are largely repaid.

671. The seasonal advances for cultivating the rain crops, cotton, juar, rice, etc., are usually taken from June onwards and are repayable, after the marketing of the crops, in December or January. The principal advances for financing the winter crops are taken in October, the main items of expenditure being seed and the purchase of cattle. These advances are usually repaid in April, after the marketing of the crops.

672. Our enquiries into agricultural indebtedness commenced in the villages at a time when all the rain crop advances were outstanding and when most of the winter crop advances had been taken, and were completed before the time for repayment of advances had arrived.

673. In the wheat zone, in addition, the crop calamities of the last two years had resulted in the inevitable failure by cultivators to repay much, if any, of the last two years' seasonal loans in the districts seriously affected, *e.g.*, in Saugor, Damoh and Jubbulpore, and in a lesser degree in Narsinghpur, and had also resulted in the borrowing of additional loans in taccavi, etc., for cultivating expenses and also, in many cases, for maintenance. These remarks also apply in a lesser degree to parts of the Plateau zone where the wheat crop was seriously injured.

674. In the cotton zone, therefore, at the time when our enquiries were made, the whole of the annual advances which may be fairly estimated at about 40 per cent of the total normal cultivating expenses of the zone, were outstanding, and according to the strict canons of accounts these may be said to have been entered twice over in the statement on page 110 above, the total recurring annual costs of cultivation being shown in the column 1 of annual expenditure, while 40 per cent of these costs have also been shown in the amount of total capital debt due for repayment.

675. A census of indebtedness carried out after the time for repayment of advances had fallen due would, therefore, have shown the total amount of indebtedness outstanding for repayment in the cotton zone less than the present figure by at least 40 per cent of the total annual costs of cultivation.

676. In the wheat zone also, in those tracts where the crop this year is normal, it is certain that at least a similar amount of outstanding debt will be repaid when the harvest comes.

677. This applies in a lesser degree to all the districts; but in the Plateau zone, outside the wheat and cotton-growing tracts, and in Chhattisgarh the amount of seasonal loans annually borrowed is much less than in the more developed tracts.

678. Estimate of repayment of seasonal short-term loans.—An attempt, however, to estimate the amount of seasonal short-term loans repayable at harvest in a normal year might produce a result as follows :—

Zone and district.	Total debt outstanding at the end of November 1929.	Estimated amount of short-term seasonal loans which are likely to be repaid after the marketing of the crops.	Percentage of the annual cultivating expenses which these repayments represent.	Estimated balance of capital debt after these repayments at harvest.	Approximate total interest charges on the balance outstanding.
1	2	3	4	5	6
	Rs.	Rs.		Rs.	Rs.
Cotton Zone.					
Amraoti ...	3,92,98,798	68,74,400	40	3,24,24,398	64,84,879
Akola ...	4,41,97,172	80,77,880	40	3,61,19,292	72,23,868
Buldana ...	3,67,11,584	59,41,400	40	3,07,70,184	61,54,036
Yeotmal ...	3,14,85,230	58,33,320	40	2,56,51,910	51,30,382
Nimar ...	1,62,54,056	27,32,760	40	1,35,21,296	27,04,259
Wardha ...	1,88,62,904	33,65,560	40	1,54,97,344	30,99,469
Nagpur ...	2,70,18,102	38,48,200	40	2,31,69,902	46,33,980
Total ...	21,38,27,846	3,66,73,520	40	17,71,54,326	3,54,30,873
Rice Zone.					
Raipur ...	99,37,864	44,04,675	25	55,33,189	11,06,637
Bilaspur ...	75,81,246	34,83,175	25	40,98,071	8,19,614
Drug ...	71,51,567	26,57,500	25	44,94,067	8,98,813
Balaghat ...	66,12,557	15,63,225	25	50,49,332	8,22,275
Chanda ...	93,70,487	20,79,300	25	72,91,187	14,58,237
Bhandara ...	1,65,05,579	34,19,120	40	1,30,86,459	26,17,291
Total ...	5,71,59,300	1,76,06,995	27	3,95,52,305	77,22,867
Wheat Zone.					
Jubbulpore ...	2,08,40,675	35,49,508	40	1,72,91,167	34,58,233
Saugor ...	1,78,24,308	24,70,376	40	1,53,53,932	30,70,786
Damoh ...	99,80,200	14,81,058	40	84,99,142	16,99,828
Narsinghpur ...	70,08,627	16,35,148	40	53,73,479	10,74,695
Hoshangabad ...	1,49,86,344	25,16,480	40	1,21,69,864	24,93,972
Total ...	7,06,40,154	1,16,52,570	40	5,89,87,584	1,17,97,514
Plateau Zone.					
Mandla ...	27,97,740	12,65,050	25	15,32,690	3,06,538
Seoni ...	64,30,574	12,90,125	25	51,40,449	10,28,089
Chhindwara ...	88,49,283	23,08,226	40	65,41,057	13,08,211
Betul ...	49,52,297	13,35,600	25	36,16,697	7,23,339
Total ...	2,30,29,894	61,99,001	28	1,68,30,893	33,66,177
Provincial total...	36,46,57,194	7,21,32,086	34	29,25,25,108	5,83,17,423

669. In the wheat zone also, where seed is an expensive item, a very large number of cultivators habitually take seed and cash advances.

670. According to establish custom, these seasonal loans are ordinarily regularly repaid at harvest. In the normal year they are repaid in full; if the crop is bad they are of course not repaid in full, if at all; while in a year of bumper crops, the arrears of bad years are largely repaid.

671. The seasonal advances for cultivating the rain crops, cotton, juar, rice, etc., are usually taken from June onwards and are repayable, after the marketing of the crops, in December or January. The principal advances for financing the winter crops are taken in October, the main items of expenditure being seed and the purchase of cattle. These advances are usually repaid in April, after the marketing of the crops.

672. Our enquiries into agricultural indebtedness commenced in the villages at a time when all the rain crop advances were outstanding and when most of the winter crop advances had been taken, and were completed before the time for repayment of advances had arrived.

673. In the wheat zone, in addition, the crop calamities of the last two years had resulted in the inevitable failure by cultivators to repay much, if any, of the last two years' seasonal loans in the districts seriously affected, *e.g.*, in Saugor, Damoh and Jubbulpore, and in a lesser degree in Narsinghpur, and had also resulted in the borrowing of additional loans in taccavi, etc., for cultivating expenses and also, in many cases, for maintenance. These remarks also apply in a lesser degree to parts of the Plateau zone where the wheat crop was seriously injured.

674. In the cotton zone, therefore, at the time when our enquiries were made, the whole of the annual advances which may be fairly estimated at about 40 per cent of the total normal cultivating expenses of the zone, were outstanding, and according to the strict canons of accounts these may be said to have been entered twice over in the statement on page 110 above, the total recurring annual costs of cultivation being shown in the column 1 of annual expenditure, while 40 per cent of these costs have also been shown in the amount of total capital debt due for repayment.

675. A census of indebtedness carried out after the time for repayment of advances had fallen due would, therefore, have shown the total amount of indebtedness outstanding for repayment in the cotton zone less than the present figure by at least 40 per cent of the total annual costs of cultivation.

676. In the wheat zone also, in those tracts where the crop this year is normal, it is certain that at least a similar amount of outstanding debt will be repaid when the harvest comes.

677. This applies in a lesser degree to all the districts; but in the Plateau zone, outside the wheat and cotton-growing tracts, and in Chhattisgarh the amount of seasonal loans annually borrowed is much less than in the more developed tracts.

678. Estimate of repayment of seasonal short-term loans.—An attempt, however, to estimate the amount of seasonal short-term loans repayable at harvest in a normal year might produce a result as follows:—

Zone and district.	Total debt outstanding at the end of November 1929.	Estimated amount of short-term seasonal loans which are likely to be repaid after the marketing of the crops.	Percentage of the annual cultivating expenses which these repayments represent.	Estimated balance of capital debt after these repayments at harvest.	Approximate total interest charges on the balance outstanding.
1	2	3	4	5	6
	Rs.	Rs.		Rs.	Rs.
Cotton Zone.					
Amraoti ...	3,92,98,798	68,74,400	40	3,24,24,398	64,84,879
Akola ...	4,41,97,172	80,77,880	40	3,61,19,292	72,23,868
Buldana ...	3,67,11,584	59,41,400	40	3,07,70,184	61,54,036
Yeotmal ...	3,14,85,230	58,33,320	40	2,56,51,910	51,30,382
Nimar ...	1,62,54,056	27,32,760	40	1,35,21,296	27,04,259
Wardha ...	1,88,62,904	33,65,560	40	1,54,97,344	30,99,469
Nagpur ...	2,70,18,102	38,48,200	40	2,31,69,902	46,33,980
Total ...	21,38,27,846	3,66,73,520	40	17,71,54,326	3,54,30,873
Rice Zone.					
Raipur ...	99,37,864	44,04,675	25	55,33,189	11,06,637
Bilaspur ...	75,81,246	34,83,175	25	40,98,071	8,19,614
Drug ...	71,51,567	26,57,500	25	44,94,067	8,98,813
Balaghat ...	66,12,557	15,63,225	25	50,49,332	8,22,275
Chanda ...	93,70,487	20,79,300	25	72,91,187	14,58,237
Bhandara ...	1,65,05,579	34,19,120	40	1,30,86,459	26,17,291
Total ...	5,71,59,300	1,76,06,995	27	3,95,52,305	77,22,867
Wheat Zone.					
Jubbulpore ...	2,08,40,675	35,49,508	40	1,72,91,167	34,58,233
Saugor ...	1,78,24,308	24,70,376	40	1,53,53,932	30,70,786
Damoh ...	99,80,200	14,81,058	40	84,99,142	16,99,828
Narsinghpur ...	70,08,627	16,35,148	40	53,73,479	10,74,695
Hoshangabad ...	1,49,86,344	25,16,480	40	1,21,69,864	24,93,972
Total ...	7,06,40,154	1,16,52,570	40	5,89,87,584	1,17,97,514
Plateau Zone.					
Mandla ...	27,97,740	12,65,050	25	15,32,690	3,06,538
Seoni ...	64,30,574	12,90,125	25	51,40,449	10,28,089
Chhindwara ...	88,49,283	23,08,226	40	65,41,057	13,08,211
Betul ...	49,52,297	13,35,600	25	36,16,697	7,23,339
Total ...	2,30,29,894	61,99,001	28	1,68,30,893	33,66,177
Provincial total...	36,46,57,194	7,21,32,086	34	29,25,25,108	5,83,17,423

679. The amount of loans which may actually have been repaid at harvest this year is of course an entirely problematical question. Much depends upon the eventual crop outturns.

680. In the cotton zone the continued fall in the price of cotton may have reduced the amount of repayments. In the districts where scarcity conditions prevailed last year, and particularly in Saugor and Damoh, the repayments may have been even less than the sum which we have surmised.

681. On the other hand, considerable repayments towards longer-term loans must have been made at harvest in those districts and areas where the crops were good, *e.g.*, Bhandara and the rice zone generally. We do not therefore claim any accuracy for the above statement.

682. The rest of the outstanding loans consist partly of intermediate loans taken for other purposes such as purchase of bullocks, marriages, land improvement, etc., and partly of accumulated debts and interest of previous years.

683. On these debts also substantial repayments are made whenever the crop outturn makes this possible. But it would be impossible to estimate accurately the total amount repaid in an average year and any such estimate would be worthless, nor would it serve any purpose.

684. It is, however, important to note that a census of indebtedness carried out after both harvests were reaped would normally show a figure considerably less than a census carried out, as occurred in the present case, at a time when all seasonal loans were outstanding. In a year of good crops very substantial repayments are made, as is shown from our intensive surveys.

685. **Application of cross-checks.**—We have fortunately been able to test the accuracy of our estimates by certain cross-checks with satisfactory results.

686. We have been able to secure from district officers statements showing the actual amount of taccavi and suspended land revenue outstanding on the 30th September 1929, and by the courtesy of the Central Banks we have also been able to secure figures showing the amount of debts outstanding due from members of societies.

687. We have found these figures to correspond very closely with the figures of debt due to Government and to the co-operative credit banks in each district as worked out by our own separate calculations. This has served as a valuable cross-check.

688. We are satisfied in consequence that our figures represent with the greatest degree of accuracy possible the amount of debt outstanding in October-November last, when our statistics were collected.

IV.

Some other aspects of the volume of debt.

689. **Consideration of some other aspects of the volume of indebtedness.**—We have estimated in the Berar note the all

round value of land in Berar at present prices at Rs. 100 per acre, and the average value of land in the Nimar, Wardha and Nagpur districts will not be much less than this. For the zone as a whole, the cultivators' indebtedness in this zone works out at an average of Rs. 16-4-0 per acre, which will represent then about 16 to 17 per cent of the total value of the land held.

690. At the height of the cotton boom, when many of these debts were incurred, the value of land was probably not less than three times what it is today, and had the high price of cotton continued, the total volume of indebtedness would not have represented more than 6 per cent of the value of land held, and would have seemed relatively insignificant.

691. The reaction after the cotton boom, as is explained elsewhere, has undoubtedly upset the whole economic position of the cotton zone. It is, however, some consolation to realize that, even at present prices, the all round volume of debt does not represent a larger portion of the value of the land held than 17 per cent.

692. The debts in the wheat zone are very largely the result of the series of crop calamities culminating in scarcity conditions during the last two and a half years in this tract. This has been dealt with in the individual district notes.

693. In the Narsinghpur district although the incidence of cultivator's indebtedness per acre is Rs. 9 only or the lowest in the zone, the all round rent rate is the highest. A census of indebtedness was taken in this district at the last settlement, which was completed in 1926, and at that time the total tenancy and malik-makbuza debt amounted to Rs. 38,63,103.

694. It is interesting to note, therefore, that since then, in spite of two years of fairly severe crop failure, the total volume of tenancy indebtedness has increased by about Rs. 16,20,000 only, although our estimates of the annual expenses in producing the crop and in maintenance amount to Rs. 40,87,871 and Rs. 64,62,000, respectively, totalling Rs. 1,05,49,871. These figures are a remarkable tribute to the reserve power of the cultivators in this district, which is undoubtedly due to the relatively high degree of security from crop failure of large areas, as is explained in the separate district note.

695. We have ventured on this digression here, because we are satisfied, as is explained hereafter, that the insecurity of agriculture and the great variations in crop outturn from year to year are the main causes of the accumulation of agricultural debt, and the history of debts in the Narsinghpur district, 33 per cent of the cultivated area of which has been classed as secure, very strongly corroborates our view.

696. The volume of indebtedness in the Jubbulpore, Saugor and Damoh districts, having regard to the relative insecurity of large areas therein, must give rise to considerable anxiety. The interest charges in these districts alone, at an all round average rate of 20 per cent, which is certainly not an over-estimate

for these districts, represent the following percentages of the total land revenue demand :—

	Per cent.
Jubbulpore	400
Saugor	421
Damoh	411

697. Seasonal requirements this year will again be heavy, and the volume of indebtedness is likely to increase unless bumper harvests are received.

698. The debt in the Hoshangabad district is also considerable. Here crops have been poor for some years past, although they have not been so bad as to create actual scarcity conditions.

699. In the Plateau zone, the debts call for little comment. The volume of debt is the greatest in the Chhindwara district, and is due to the fact that the greater part of the Sausar tahsil consists of valuable cotton country economically allied to the Cotton zone, and having little in common with the rest of the Plateau zone, as is explained in the note on the Chhindwara district (Appendix J-XVI).

700. The debt in Seoni is undoubtedly largely the result of the poor harvests during recent years, which culminated in the declaration of scarcity and the opening of famine relief operations in the year 1928-29, as is separately explained (Appendix J-X). Under normal circumstances, it would be reasonable to conclude that the volume of indebtedness in Seoni would be no greater than that in Betul.

701. In the rice zone the incidence of indebtedness of cultivators is much lower in Chhattisgarh than in any other part of the province except Mandla. This is discussed in detail in a separate note on the Chhattisgarh Division (Appendix J-XVII). It is sufficient to note here that in this tract grain is still an important medium of exchange, while the rice zone has had a succession of good years since 1920-21.

702. In the Bhandara district, the volume of indebtedness has always been relatively large. This matter was fully discussed by the Settlement Officer, Mr. E. Gordon, I.C.S., in his final report at the last settlement. In this district, large areas are embanked, irrigated and double-cropped; and at present prices the profits of agriculture appear to be greater here than in any other district in the province except Balaghat. We have discussed the question of Bhandara indebtedness in greater detail in the Bhandara district note (Appendix J-III). The influence of the big absentee money-lenders is undoubtedly in this district a contributory cause of much of the cultivators' indebtedness, *vide* our notes on Sondar and Adyal villages (Appendices E-XXVIII and E-XXVI, respectively)

V

INDEBTEDNESS OF LANDLORDS.

703. Indebtedness of malguzars.—The indebtedness of the landlords or malguzars of the Central Provinces proper is separately exhibited in the following statement:—

Zone with districts.	Total debt owed by the landlord class.	Total amount owed to the landlord class.	Percentage of the value of their landed property which the total debt represents.	Percentage free from debt.
1	2	3	4	5
Rice Zone.	Rs.	Rs.		
Raipur ...	48,18,192	...	11	41
Bilaspur ...	36,89,646	...	14	37
Drug ...	49,08,586	...	11	47
Baleghat ...	22,92,130	17,62,360	12½	51
Bhandara ...	40,90,878	68,00,266	12	51
Chanda ...	15,80,296	12,74,374	13	52
Total ...	2,13,79,728	98,37,000	13	46
Wheat Zone.				
Jubbulpore ...	82,16,479	33,34,496	26	14
Saugor ...	25,38,834	45,27,346	10	45
Damoh ...	31,51,819	23,75,287	20	27
Narsinghpur ...	15,23,842	14,15,737	7	31
Hoshangabad ...	36,59,836	26,32,734	15	62
Total ...	1,90,85,810	1,42,85,600	16	36
Plateau Zone.				
Mandla ...	15,23,457	...	25	57
Seoni ...	25,79,063	4,10,154	14	37
Chhindwara ...	28,03,512	16,63,649	9	56
Betul ...	8,82,183	13,50,279	5½	72
Total ...	77,88,215	34,24,082	13	55
Districts of Cotton Zone in Central Provinces.				
Nimar ...	41,30,672	5,85,144	26	42
Wardha ...	39,49,582	31,68,967	8	48
Nagpur ...	95,56,421	79,70,339	21	39
Total for part of Zone ...	1,76,36,675	1,17,24,450	18	43
Total for Central Provinces...	6,58,90,428	3,92,71,132	15	45

704. The indebtedness of the malguzars in the Nagpur district is due to the ordinary causes of indebtedness found elsewhere in the cotton zone. The district contains a large number of absentee landlords. Although the total debt of landlords in the Nagpur district is estimated at Rs. 95,56,421, it represents only 21 per cent of the value of the landed property which they hold. In this district there are many rich money-lending malguzars and it is interesting to note that the amount of debt owed to malguzars in this district by agriculturists comes to Rs. 79,70,336.

705. In the Jubbulpore district, the estimated indebtedness of landlords comes to Rs. 82,16,479 against the estimated value of their landed property of Rs. 3,12,58,320, while debts totalling Rs. 33,34,496 are due to this class. This district contains a very large number of Brahman malguzars, many of whom are small shareholders. It should be noted that a portion of the malguzari debt consists of suspended land revenue totalling Rs. 7,65,938, together with advances of taccavi made in this district owing to the scarcity conditions which have prevailed during the last two years.

706. We have, however, considered it important to point out in the separate note on the Jubbulpore district that the total indebtedness of malguzars in this district has increased, since the last settlement, which was conducted by Mr. Crosthwaite 18 years ago, from Rs. 41,85,671 to Rs. 82,16,479, or has practically doubled.

707. It is extremely difficult to obtain an estimate of normal conditions from an enquiry carried out during a period of continued scarcity. No doubt Government will give further attention to this question as soon as normal crop conditions are restored.

708. In the Nimar district also the malguzars' debt is relatively heavy having regard to malguzari assets. Our enquiries, however, show that many malguzars hold valuable malik-makbuza land in addition. There is, however, no doubt that the malguzars of this district have suffered like Berar from the aftermath of the cotton boom.

709. The malguzars' debt in Mandla also represents a considerable percentage of the estimated value of their landed property. But some of these men are big absentees with landed property elsewhere. The malguzars' debt in Damoh is partly the outcome of scarcity conditions. The amount of debt due to these malguzars, however, amounts to 76 per cent of the amount which they owe. In Saugor the total malguzars' debt is strikingly low, having regard to the economic depression of the district. But many of the malguzars of this district are rich money-lenders, as is explained in the district note, and many of them are owed much more than they owe.

710. The methods adopted for valuing the malguzars' landed property has been explained at the end of Chapter II. Though a small percentage of them are heavily indebted, the

general economic position of the malguzars as a whole should not give ground for anxiety. Much could be done for the malguzars in the way of amortization of debts by the establishment of a land mortgage bank.

711. Many of the malguzars, in fact nearly all except those who are themselves heavily indebted, advance money and grain to their tenantry. The statement in paragraph 797 shows the total amount of loans outstanding due to them in each district. For the province as a whole, the malguzars owe Rs. 6,58,90,428 and are owed Rs. 4,22,67,580 excluding the loans due to malguzars in the Raipur, Drug, Bilaspur and Mandla districts, the figures for which are not available, as is explained in the appendices.

712. The malguzars can usually obtain money when required at relatively low rates of interest varying round 9 per cent on mortgages and 15 per cent without collateral security, owing to the good credit which the value and transferability of their landed property secures to them, but long-term loan facilities are not available as is explained in Chapter VI. The malguzar has been described in detail in Chapter II, paragraph 92, and it does not appear to us to be necessary to add anything more to what has been written therein and in the separate notes on the economic conditions of each district.

VI

Cultivators' indebtedness.

713. **Rent-paying cultivators' indebtedness.**—The economic status of the average cultivator in the Central Provinces proper differs *toto coelo* from that of the malguzar. It is true that 15 per cent of the total land held by them is in malik-makbuza and absolute-occupancy right, securing, owing to its transferability and relatively high market value, good credit facilities to its holders. This land is also in the majority of cases held in relatively small parcels, together with some occupancy tenancy land.

714. But 85 per cent of the land held by cultivators in the Central Provinces is held in occupancy or ryotwari right, untransferable by sale or mortgage and not attachable in satisfaction of debts. The occupancy tenants and ryots have, therefore, no credit beyond the value of their standing crops, their cattle, their moveable property and their own personal honesty.

715. With greater risks, the interest rates are higher, normally averaging round 24 per cent per annum, with a penal stipulation of a higher rate of interest usually at 37½ per cent, in cases of default in payment, which as often as not is not discouraged. Their indebtedness is considered in greater detail in the district notes.

716. The following statement exhibits the position for the province as a whole:—

Cultivators' debts in Central Provinces and Berar.

Zones with districts.	Total debt.	All round incidence.			Percentage of cultivators free from debt.
		Per family of cultivators.	Per acre of land held.	Per rupee of rent paid.	
1	2	3	4	5	6
	Rs.	Rs.	Rs. a. p.	Rs.	
Cotton Zone.					
Amraoti ...	3,92,98,798	710	23 0 0	13	53
Akola ...	4,41,97,172	681	19 0 0	14	43
Buldana ...	3,67,11,584	546	18 13 0	14	44
Yeotmal ...	3,14,85,230	585	13 11 0	26	42
Nimar ...	1,12,23,384	288	11 0 0	16	42
Wardha ...	1,49,13,322	513	15 8 0	14	47
Nagpur ...	1,74,61,681	396	13 0 0	9	24
Total ...	19,61,91,171	555	16 4 0	15	42
Rice Zone.					
Raipur ...	51,19,672	32	2 0 0	4	51
Bilaspur ...	38,91,600	21	2 0 0	4	68
Drug ...	22,42,981	25	2 8 0	2½	65
Balaghat ...	43,20,427	78	7 0 0	6	65
Chanda ...	77,90,191	136	6 8 0	11 4	42
Bhandara ...	1,24,14,701	190	14 4 0	4 1	55
Total ...	3,57,79,572	59	5 11 0	6½	58
Wheat Zone.					
Jubbulpore ...	1,26,24,196	223	10 0 0	8	13
Saugor ...	1,52,85,474	433	14 12 0	12	30
Damoh ...	68,28,381	292	11 0 0	11	36
Narsinghpur ...	54,84,785	212	9 0 0	5	22
Hoshangabad ...	1,13,31,508	286	13 0 0	7½	53
Total ...	5,15,54,344	296	11 9 0	8½	31
Plateau Zone.					
Mandla ...	12,74,283	25	1 2 0	3	70
eoni ...	38,51,511	105	4 8 0	7	36
Chhindwara ...	60,45,771	115	5 12 0	8	47
Betul ...	40,70,114	90	3 14 0	8	65
Total ...	1,52,41,679	82	3 13 0	6½	54
Total for the whole Province.	29,87,66,766	227	9 5 0	9½	46

717. It will be seen that outside Bhandara and Chanda the indebtedness of cultivators in the rice zone is relatively insignificant although holdings are relatively small. They have had a succession of good years.

718. In the wheat zone the average debt per tenant is 5½ times that of the rice zone, although the average holdings are far larger. The indebtedness of the wheat zone is largely due to great variations in outturn and a recent succession of bad years.

719. In the cotton zone the average debt per cultivator is 10 times that of the rice zone although here the average holding is larger even than in the wheat zone and far larger than in the rice zone. The main causes of the indebtedness of the cotton zone, as is explained elsewhere, are the feverish fluctuations and recent fall in the price of cotton.

VII

Economic position of the Hypothetical Average Cultivator.

720. **Economic position of an average cultivator.**—It is now possible to return to a consideration of the economic position of the hypothetical average cultivator according to the provincial averages discussed in Chapter II. He holds 21.15 acres of which 16½ acres are normally under crop.

	Rs.
His costs of maintenance are	214
His costs of cultivation are	157
His rent is	21
Total ...	392

	In a normal year.	Where the crop is 10 annas or 25 per cent below normal.
1	2	3
	Rs. a. p.	Rs. a. p.
The value of his gross crop outturn is ..	491 499 0 0	369 0 0
His balance is	99 0 0	Deficit of 23
In addition he will have some income from subsidiary sources which varies very greatly, but which we may safely take (*vide* paragraph 463, Chapter II) at not less on the average than	50 0 0	50 0 0
Total balance	149 0 0	27 0 0
His debt will average	227 0 0	
And the annual interest charges about ...	45 8 0	
Part of his debt will be a seasonal advance included in his costs of cultivation, say :	60 0 0	
Net outstanding debt excluding seasonal loan ...	167 0 0	
According to the provincial average he will also own jewellery worth	144 0 0	
And cattle worth	180 0 0	

721. It will be seen that even in a normal year the interest charges absorb a good part of the balance, out of which he has to defray various other expenses described in paragraph 472 of Chapter II.

722. He will, if years are normal, be able to repay his debt in time if he is careful. But whenever the crop falls to 25 per cent below normal, he will probably not be able to pay the interest charges unless he exercises retrenchment in all his other expenditure. If a succession of bad years follow, the arrears of interest are bound to accumulate. He will have to sell off his jewellery and possibly some of his cattle and will probably incur fresh debts. If a bumper year comes before the debt has become unmanageable, he will pay off much of the arrears of interest and of the debt. We are discussing, of course, the hypothetical cultivator with a debt according to the provincial average.

723. But actually the variations in the amount of individual indebtedness are no less great, than the variations in the size of holdings.

VIII

Distribution of Debt.

724. **Distribution of debt.**—In our intensive village surveys we have paid special attention to the question of the distribution of the burden of indebtedness. We have found, in the villages surveyed by us in the various districts, the following state of affairs :—

Zones and district.	Total debt in villages surveyed.	Percentage of debtors hopelessly indebted	Debts owned by them.		Percentage of cultivators free from debt.	Debts owned by cultivators not hopelessly indebted.		Percentage of total tenants.
			Total amount.	Percentage of the total.		Total amount.	Percentage of total debt.	
1	2	3	4	5	6	7	8	9
	Rs.		Rs.			Rs.		
Cotton Zone.								
Amraoti ...	2,98,903	3·7	1,12,057	37·4	49	1,86,846	62·6	47·3
Akola ...	5,95,575	4·8	2,79,185	46·8	47	3,16,390	53·2	48·2
Buldana ...	4,05,402	3·7	1,37,179	33·8	48	2,68,223	66·2	48·3
Yeotmal ...	98,480	6·9	45,160	45·8	38	53·320	54·2	55·1
Nagpur ...	1,45,072	4	24,050	16·5	26·5	1,21,022	83·5	69·5
Wardha ...	2,56,786	5	1,74,473	68	42·5	82,313	32	52·5
Nimar ...	1,74,736	5	27,200	15	41	1,47,536	85	54·0
Total ...	19,74,954	4·7	7,99,304	40·4	41·7	11,75,650	59·6	53·6
Rice Zone.								
Raipur ...	32,138	2·5	5,504	10 5	56	26,634	89·5	41·5
Bilaspur ...	49,416	1	5,080	10·3	55	44,336	89·7	44·00
Drug ...	8,965	3	2,390	26·5	47	6,575	73·5	50·00
Bhandara ...	94,000	4·5	37,107	39·0	30	56,893	70·0	65·5
Balaghat ...	11,673	4·5	3,384	20·6	49	8,289	79·4	46·5
Chanda ...	94,874	5	52,980	50·8	45	41,894	49·2	50·0
Total ...	2,91,066	3·4	1,06,445	36·1	47	1,84,621	63·9	49·6
Wheat Zone.								
Jubbulpore ...	81,050	6	22,866	28·4	16	58,184	71·6	78·0
Hoshangabad ...	88,558	3	26,817	30·5	40	61,741	60	57·0
Narsinghpur ...	45,847	4·5	12,121	26·6	38	33,726	73·4	57·5
Saugor ...	1,85,019	6·5	85,998	46·8	26·5	99,021	53·2	67·0
Damoh ...	1,38,251	5·8	20,285	14·5	16	1,17,966	85·5	78·2
Total ...	5,38,725	5·1	1,68,907	31·2	27·3	3,70,638	68·8	67·6
Satpura Zone.								
Betul ...	31,504	2·2	12,319	39·3	55	19,185	60·7	42·8
Chhindwara ...	73,925	4	23,050	31·5	37	50,875	68·5	65·0
Seoni ...	76,181	2·8	12,290	16·5	28	63,891	83·5	69·2
Mandla ...	10,403	2	1,200	11·5	28	9,203	88·5	70·0
Total ...	1,92,013	3·7	48,859	25·2	35	1,43,154	74·8	62·3
GRAND TOTAL ...	29,96,758	3·9	11,22,695	37·4	37·3	18,74,063	62·6	58·8

725. The position which we have found common in all parts of the province is as follows.

726. There is a small percentage of persons who are hopelessly indebted and who are responsible for a very substantial portion of the total indebtedness. At the other extreme, there comes a much larger percentage of persons who are not indebted at all. Between the two extremes, come the cultivators who are indebted in varying degrees. Many of these persons are those who owe very little beyond the seasonal advances which will be repaid at harvest. Among this middle class, particularly in the cotton zone, where after the cotton boom there has been a marked and rapid fall in land values and in the value of agricultural produce, we have also found a number of persons who, though not indebted beyond some 40 per cent of the value of their assets, will find great difficulty at present prices in repaying their debts at the high rates of interest stipulated; and who with their present paying capacity would require, even at a low rate of interest, a considerable period of time for repayment.

727. This class is perhaps the most important class with which we have to deal. They provide the strongest justification for the formation of a land mortgage bank for the amortization of debts by long-term loans at low rates of interest. This matter is considered fully in Chapter VI. But we have thought it necessary to stress its importance here.

728. The villages chosen for our intensive surveys were mostly fairly well advanced and developed villages. The percentage of persons entirely free from debt in these villages, particularly in the plateau zone, was lower than that of the more backward tracts where the system of taking seasonal advances is not yet developed.

729. For the province as a whole, according to our general survey 46 per cent of the cultivators are entirely free from debt, whereas in the villages intensively surveyed by us 37.3 per cent of the cultivators were free from debt.

730. It is more important to note that our intensive surveys disclose that only 3.9 per cent of the cultivators are hopelessly indebted, while their debts amount to 37·4 per cent of the total agricultural debt.

731. The question of distribution of indebtedness is discussed in detail in each of the village intensive survey note.

732. Variations.—We have stressed throughout this report the danger of generalization. We have explained in Chapter II the uneven distribution of land and the great variations in the size of holdings. We have similarly here explained the uneven distribution of the burden of debt, but have pointed out that the men with small holdings are not usually heavily indebted. The debt does not vary in accordance with the size of the holding. In the same manner we have explained that although all round crop outturns vary from year to year, the outturn may also vary from field to field in the same year. Some fields may have been sown

later than others. Fields of different soils and different positions require different distribution of rainfall. The rainfall suitable to one crop is not always suitable to another. Even in years of generally good harvests some cultivators may get a poor outturn for some special reason. Again special calamities such as hail or rust may injure the crops of some fields and not injure others. One cultivator's cattle may die of disease, while another's may not. There is, therefore, no general rule to govern the occasions, when individual cultivators may be required to borrow or may be unable to repay outstanding debts.

733. The hypothetical average figures which we have displayed according to the provincial averages for the hypothetical average cultivator must not, therefore, be taken as an estimate of the financial position of any particular individual.

734. There are numerous small tenants earning their livelihood by cultivation and other subsidiary employment, living their simple lives often free from debt. There are numerous big cultivators with valuable property and with capital invested in money-lending. There are others, some with big holdings and some small, who are hopelessly indebted for a variety of reasons.

735. We in fact find cultivators, rich and poor, with large holdings and with small, with large debts and with none, with varying incomes and with varying expenditure.

736. A more detailed view can be obtained by a study of our village economic survey notes, which contain a large amount of information which can only be summarized in totals and in average figures in the provincial resumé contained in this report. This report gives a bird's-eye view of the province as a whole. The village notes explore each locality in detail.

IX

Purposes for which debt was incurred.

737. **Purposes for which loans were incurred.**—As is explained in Chapter I, we have classified debts under ten main heads, showing the purposes for which they were incurred according to the debtors' own statements. The following statement shows the percentage for the province as a whole :—

STATEMENT

Zone with district.	Percentages of debts which the				
	Old debt and loans incurred for repayment of earlier debts.	Marriages and other ceremonials.	Maintenance expenses, including the results of scarcity and distress.	Arrears of, or loans for payment of, land revenue and rent.	Cultivating expenses, including wages of labour and purchase of cattle, seed and manure, etc.
1	2	3	4	5	6
Cotton zone.					
Amraoti ...	30·80	13·00	7·00	...	21·10
Akola ...	29·00	15·50	5·00	...	23·50
Buldana ...	31·70	13·20	3·00	1·10	22·0
Yeotmal ...	31·10	12·80	3·10	0·10	23·80
Nimar ...	38·2	19·5	5·	2·50	17·1
Wardha ...	26·30	13·44	1·0	·32	27·60
Nagpur ...	27·1	14·5	14·5	4·2	22 8
Total ...	31·00	14·00	5·00	1·0	22·0
Rice zone.					
Raipur ...	...	...	...	...	...
Bilaspur ...	...	...	...	...	...
Drug ...	...	...	...	...	...
Balaghat ...	29·1	17·1	5·9	5·2	25·4
Chanda ...	26·2	16·2	7·7	1·7	23·1
Bhandara ...	26·58	16·22	6·25	5·95	15·7
Total ...	27·00	17 00	7·00	4·00	21·00
Wheat zone.					
Jubbulpore ...	22·87	11·11	12·10	6·6	28·21
Saugor ...	29·17	5·53	13·75	6·06	30·64
Damoh ...	31·6	8·4	21·4	4·15	27·6
Narsinghpur ...	29·5	7·3	3·85	4·5	22·2
Hoshangabad ...	32·2	9·2	7·2	6·6	21·7
Total ...	29·00	8 00	12·00	5·00	26 00
Plateau zone					
Mandla ...	...	...	...	...	...
Seoni ...	19·82	16·39	·63	3·43	31 43
Chhindwara ...	28·1	17·5	·5	1·1	18·3
Betul ...	28·4	15·5	1·9	6·6	19·56
Total ...	26·00	16·00	1·00	4·00	23·00
Total for the whole Province.	26·00	14 00	7·00	4·00	23·00

following heads represent.					
Improved agricultural implements.	Field embankments and other land improvement.	Purchase of land or the bringing under cultivation of new land.	Litigation.	Business, etc.	Total debt.
7	8	9	10	11	12
					Rs.
0·10	2·20	16·00	2·00	7·80	3,92,98,798
1·00	·50	16·50	3·00	6·00	4,41,97,172
...	...	20·50	2·20	3·30	3,67,11,584
...	1·10	19·80	4·40	3·80	3,14,85,230
2·2	10·0	2·00	3·5	...	1,62,54,056
2·14	13·14	12·06	4·0	...	1,88,62,904
2·2	6·4	6·00	2·3	...	2,70,18,102
1·00	5·00	13·00	3·00	5·00	21,38,27,846
..	...	...	...	...	99,37,864
...	...	...	..	...	75,81,246
...	...	...	...	..	71,51,567
1·00	6·0	7·8	2·5	...	66,12,557
1·5	16·3	6·6	·7	...	1,65,05,579
2·18	18·82	5·75	2·55	...	93,70,487
2·00	13·00	7·00	2·00	...	5,71,59,300
1·58	16·2	1·21	·11	...	2,08,40,675
·89	4·2	7·66	2·1	...	1,78,24,308
1·85	3·1	1·53	·27	0·10	99,80,200
1·5	17·95	10·9	2·3	...	70,08,627
·80	8·5	12·2	1·6	...	1,49,86,344
1·90	10·00	7·00	1·00	0 10	7,06,40,154
...	...	...	...	...	27,97,740
1·24	6·24	12·66	4·16	4·00	64,30,574
1·6	12·9	17·5	2·5	...	88,49,283
1·7	12·1	12·64	1·6	...	49,52,297
1·00	11·00	14·00	3·00	1·00	2,30,29,894
1·00	10·00	11·00	2·0	2·00	36,46,57,124

738. **Difficulty of classification.**—Although the cultivator knows how much he has borrowed, he is not always clear as to how much he spent on any particular purpose. He sometimes mixes up land improvements with cultivating expenses, while the cultivator's statements as to how much of the seasonal loans were spent on maintenance charges, payment of rent, or upon costs of cultivation, are usually not very reliable. It would not, therefore, be safe to accept this classification of debts based on the debtors' statements as absolutely correct, though it is useful as a general index of the purposes for which loans are taken.

739. **Percentage of productive debt.**—For the province as a whole, excluding the old debts, the purposes of which cannot now be discovered, 66 per cent of the total debts incurred are shown to have been for productive purposes.

740. **The old debts and loans for repayment of earlier debts** form a very important item. When once interest has accumulated it is extremely difficult for the cultivator to discharge these debts. Often he goes on paying the interest, but no proper facilities for amortization of the principal exist at present.

741. **The debts for marriages and ceremonies** vary between 5.53 per cent in Saugor and 19.5 per cent in Nimar. Although undoubtedly a good deal of the old debt may have been incurred for marriages, these figures do not bear out the popular theory that extravagant expenditure on ceremonials is the main cause of indebtedness. We discuss this point hereafter.

742. **Rent and revenue.**—This includes some of the seasonal loans, but this item is responsible for only a very small percentage of the total debt. The highest percentages, 6.6 per cent, are in Jubbulpore, Saugor, Hoshangabad and rather surprisingly Betul. But the total volume of debt in Betul is relatively small. There are some large Bania landholders in this district, who sometimes encourage arrears of rent for their own ends.

743. **Maintenance expenses.**—"Maintenance expenses" includes some of the seasonal or short-term loans, and is naturally a fairly important item in the scarcity areas of Damoh, Saugor and Jubbulpore.

744. **Cost of cultivation.**—Cost of cultivation is an important item. It also includes much of the seasonal loans.

745. **Purchase of improved implements.**—It is important to note what relatively small sums are borrowed for this purpose at present.

X

Causes of indebtedness.

746. **Causes of indebtedness.**—Some of the principal causes of indebtedness which have been suggested to us are as follows:—

(*a*) The land revenue policy of Government with recurring enhancements of rent and land revenue at re-settlement.

(*b*) The improvidence and extravagance of the cultivators.
(*c*) Uneconomic holdings.
(*d*) Rapacity and dishonesty of money-lenders.
(*e*) The unproductivity of the soil and the relatively small profits from agriculture in India.

747. General consideration of the causes of indebtedness.— Owing to the fact that up to now no attempt at a general economic survey of the province has been made nor any general census of agricultural indebtedness carried out, a good deal of misunderstanding with regard to the exact economic position in rural areas prevails in many quarters. In several of the replies to our questionnaire, attention has been drawn to the alleged overwhelming burden of agricultural indebtedness, and some witnesses, as we have noted in Chapter II, have expressed the opinion that the ordinary cultivator does not receive as much food as the daily rations given to prisoners in jail (*vide* statement of Mr. V. S. Dhagat, Honorary Secretary, Central Bank, Damoh).

748. In the earlier part of this report we have given as accurate a picture as possible of rural economics, and have shown that after making provision for maintenance and clothing according to the local standard of comfort prevailing, for the payment of cultivating expenses and rent, the average cultivator has a small surplus in a normal year for defraying other expenses. We have further explained that although in a year of bumper harvest this surplus may be considerable, it vanishes altogether and is turned into a deficit in many cases, when the crop is a poor one. But the great majority of cultivators obtain in the long run sufficient income to enable them to repay their debts.

749. Opinions of those who have come before us have differed on the question as to the precise amount of net profit per annum which the money-lenders earn on their business after making allowance for bad debts, etc. Some have estimated the net profit at 12 per cent, some at a higher and some at a lower figure. But all are agreed that the business of lending money to agriculturists is not unprofitable, and the mere fact that there is an increasing tendency among cultivators themselves to invest whatever surplus they may have in lending money to their poorer brethren, is of itself the strongest proof that the business of agricultural money-lending is remunerative. We have noted elsewhere how Rai Sahib Laxminarayan of Noni (witness No. 135) expressed the opinion that only those landlords and cultivators became wealthy who also did money-lending.

750. Under these circumstances, it is at least certain that the cultivators ordinarily repay sufficient in principal and interest on their debts to make it a profitable proposition for the money-lenders to advance money to them. We consider it important to stress this point before proceeding to consider further the causes of indebtedness.

751. The term "indebtedness" is by itself somewhat misleading.

752. **Main function of finance.**—The business of agriculture all over the world, like all other industries, is carried on very largely on borrowed capital. The main functions of finance in economically developed countries are the manufacture and provision of currency and credit, and the handling and distribution of the capital that is saved by the community and put into the equipment of industry.

753. **Definition of credit.**—Credit has been described as being, in the truly financial sense, the arrangement by which the financial machinery provides its customers with currency with which to buy commodities and to carry on their business.

754. To the student of the history of finance, the system of agricultural economics which has been evolved in India is of peculiar interest. But to keep to our main subject, the mere investment of borrowed capital in productive processes is not the same thing as indebtedness. We feel that indebtedness in its strict sense implies a state of financial embarrassment. We have exhibited in the statement in paragraph 738 above, the percentage of debt incurred for each of ten main purposes, and this statement, read together with the estimate of requirements for maintenance, costs of cultivation, and rent, exhibited in paragraph 652 explains the occasions which have given rise to borrowing. But in examining the causes of agricultural indebtedness in its correct sense, we must go beyond the mere occasions which have given rise to the borrowing of money.

755. We now consider briefly the causes of indebtedness suggested to us.

756. **(*a*) The land revenue policy of Government.**—In our enquiries in the various parts of the province we have, it is true, found great differences in the incidence of rent. For instance, in the Chhattisgarh Division, the rental demand would appear to absorb a much smaller portion of the profits of agriculture than in some other parts of the province, *e.g.*, than in Berar at the present prevailing price of cotton. At first sight, the fact that the burden of debt is much greater in Berar than in Chhattisgarh, might be suggested as an argument to prove that the rental burden is a cause of indebtedness.

757. But on the other hand, when the total assessment demand is compared with our estimate of the total costs of maintenance and of the costs of producing the crops, which are exhibited in statement in paragraph 652 and, which for the province as a whole are as follows:—

	Rs.
Costs of maintenance	29,27,36,286
Costs of cultivation	23,89,41,398
Total rental demand from tenants and land revenue demand from ryots	2,82,40,765
Total expenditure ...	55,99,18,419

we feel that it would be impossible to support the argument, that the rent and revenue demand of itself is one of the main causes of indebtedness.

It is true that we have, in the course of our enquiries, come across individual cases where the rental burden appeared to be abnormally heavy, and where in those individual cases the rental burden was possibly a contributory cause of indebtedness; but we feel that when the total rental demand from tenants and revenue demand from ryots amounts to only 5 per cent of the total annual expenditure incurred by them on maintenance, cultivation, and payment of assessment, it would serve no purpose and would, in fact, be irrelevant to our enquiry, to discuss the question of rent and land revenue further.

758. (b) Improvidence and extravagance of cultivators.—It is a popular view, with a certain school of thought, that the expenditure and resulting indebtedness of the cultivator is only limited by his credit, and that easy credit facilities result in indebtedness. It has also been suggested by some that the relatively large volume of debt in Berar is due to the superior credit which the cultivators enjoy owing to their rights of transfer in land. In our separate note on Berar, we have explained that this is a fallacious argument. The mere fact that in spite of a period of sudden augmentation of values and increased credit facilities, only 4 per cent of the cultivators of Berar are now in a state of hopeless indebtedness, while 45 per cent of their number are entirely free from debt, is on the other hand, we feel, the strongest proof that mere improvidence and extravagance is not the main cause of indebtedness.

759. It is undoubtedly true, as is explained hereafter, that the absence of adequate facilities for investment, and the resulting non-existence of a habit of investment of surplus capital in good years for meeting expenses in years of crop failure, is one of the main reasons for the accumulation of debt.

760. But although the absence of the habit of investment might justify a charge of improvidence to a certain degree, our enquiries do not justify the contention that the average agriculturist is an extravagant person. It is true that he spends a certain amount of money upon marriages and other social ceremonials from time to time according to the local custom prevailing, but owing to the rigidity of these customs and the strictness of caste rules, this expenditure is an almost inevitable charge upon him. In fact custom at present is for the cultivator too strong. Our enquiries show a general appreciation in the more developed areas of the uselessness of unnecessary expenditure upon these ceremonials. We have not found, in the course of our economic village surveys, instances of persons normally spending larger sums on their marriages than the previous generation were in the habit of spending. And we feel that as regards the Central Provinces and Berar, there is no evidence to support an assumption of this kind. At the same time, we realize that in times of prosperity and plenty, cultivators do spend larger sums upon these ceremonials than would be spent in the lean years. This, however, is, as is explained hereafter, largely due to the absence of proper investment facilities.

761. (c) Uneconomic size of holdings.—The uneconomic size of holdings has also been suggested as a main cause of indebtedness.

762. There are undoubtedly numerous small holdings of an uneconomic size, as is explained in Chapter II, although the average holding for the province as a whole is of 21.15 acres.

763. We have carefully investigated the economic condition of the cultivators of these small holdings in our village surveys, but were surprised to find that practically all these persons had subsidiary sources of income. We have explained in the village survey notes how rarely is indebtedness caused by the smallness of a holding. We need not stress this point further here.

764. The credit of a cultivator with a small holding is of necessity in any case low, and he is compelled by that very necessity to have recourse to some subsidiary employment for his support. It is worthy of note that in the Chhattisgarh districts of Raipur, Bilaspur and Drug, where the average holding is much smaller than elsewhere, the incidence of cultivators' debt per acre is lower than in any part of the province except Mandla.

765. Our village surveys brought home to us the great importance of subsidiary sources of income in rural areas, a matter often lost sight of, but discussed in this report in Chapter II, paragraphs 453 and 469. We are satisfied that in this province the uneconomic size of holdings is not of itself a main cause of indebtedness.

766. (d) The rapacity of money-lenders.—This has also been suggested as a cause of indebtedness. Elsewhere we have discussed the prevailing rates of interest. No doubt the rates are often high, but this is due largely to the risks of lending money to agriculturists under present conditions, as is explained hereafter. Undoubtedly extortionate and dishonest money-lenders do exist as is explained elsewhere, but the rate of interest charged by money-lenders as a whole must always depend upon the supply of, and demand for, money, and the credit of the borrower.

767. We have elsewhere alluded to the harm which may be done by unscrupulous money-lenders, and we make proposals for limiting the scope of such persons in Chapters XII and XIV.

768. Our enquiries, however, have shown clearly that very many of the cultivators prefer the local sowkar to the Co-operative Credit Bank or the Government as a credit agency owing to his more easy-going methods.

769. (e) Uncertainty of agriculture, the main cause of agricultural indebtedness.—As a result of our enquiries we are of the unanimous opinion that the main cause of agricultural indebtedness is the great uncertainty of agriculture in India, and the great variations in crop outturns from year to year.

770. These variations in crop outturn do not follow any definite law of rotation, and a good year does not necessarily follow a bad one. We have already explained how crop calamities have followed in successive years in the north of the province, while in rice zone there has been a succession of good harvests since 1921.

771. It follows, therefore, as has actually occurred in large parts of the wheat zone, that when bad years come in succession, the annual seasonal loans and the intermediate loans cannot be repaid and rapidly mount at high rates of interest, while the cultivator is compelled to borrow in addition further sums of money to enable him to maintain himself and to carry on his agricultural operations until a good crop comes.

772. In Chapter V and in the subsequent Chapter XVI on the Investment and Thrift Habit, we have explained how this accumulation of indebtedness might have been avoided, had facilities for investment existed, and had the cultivators been educated to the habit of investing their surplus in the bumper years as a reserve balance for expenditure in the years of crop failure.

773. It is true that the bigger cultivators accumulate a certain store of grain and invest a certain amount of their surplus of the good years in the purchase of gold and silver jewellery, which serves as an ornament in times of prosperity and a rudimentary form of capital reserve in the bad years. But there exists a much larger percentage of cultivators who have a perennial cash credit with their sowkars, and carry on their agricultural operations on short-term and intermediate loans as is explained elsewhere. Under such circumstances, when a series of bad years occur, the accumulation of debt is inevitable.

774. **The fool and his money are soon parted.**—There are of course in every community and in every society a certain percentage of irresponsible and extravagant persons. In India, as elsewhere throughout the world, the fool and his money are soon parted.

775. But excluding the relatively small percentage, whose indebtedness is due to their own ineptitude and extravagance, the main cause of the accumulation of debts of the vast majority of cultivators is undoubtedly the extreme variations in crop outturns, the high rates of interest, and the absence of any proper system of investment of savings.

776. **Causes of indebtedness in the cotton zone.**—In the cotton zone, the main cause of indebtedness at present is of a different kind. The main cause of indebtedness in the cotton zone is not so much the variations in outturn, as the feverish fluctuations in the price of cotton during recent years. We have discussed this question in considerable detail in the note on Berar, and it is not necessary to repeat here what is written therein. It is, however, of interest to quote from that note one or two salient facts. We have pointed out therein and have

also elaborated the point in our intensive enquiry notes, that the ordinary cultivator of Berar, with the ordinary holding of mixed cotton and juar, was earning at pre-war prices after deducting the costs of cultivation, a net income of possibly Rs. 360. The prices of cotton rose until the extra income from cotton alone, at the height of the boom, assuming that only half the area of his holding was under cotton, gave him an annual net income quite possibly exceeding Rs. 1,000 per annum. There followed all the natural results of a temporary increase in wealth and a temporary expansion of individual credit.

777. Prices also rose with the value of agricultural produce. There was a general scramble to purchase land and to borrow money to invest in what appeared to be at the time a very remunerative investment. Many of those who did not purchase, took land on lease at prices which now seem amazingly high. The general standard of living rose and the ordinary expenses of the cultivator increased.

778. Then came the reaction. Prices continued to fluctuate; but there was a rapid and continued downward tendency.

779. All these questions have been discussed in detail in the note on Berar. A very large portion of the debts in the cotton zone was incurred for the purchase of land or for the payment of leasehold money for land taken on very high rent for temporary leases, or for the discharge of previous debts incurred for this purpose.

780. We have noted elsewhere that, had the habit of investment and proper facilities for capital investment existed in Berar, a sum quite possibly exceeding 50 crores of rupees might have been invested in savings during the period of the cotton boom. In the absence of such facilities, it was inevitable that considerable sums should be squandered on purposes which now appear to be unjustifiable; but even here, in spite of the crisis through which the Berar Kunbis have passed, it will be correct to state that the vast majority of them, with that common sense and prudence for which they are well known, have weathered the storm remarkably well; and, as is noted above, only 4 per cent of them are now hopelessly indebted.

781. **Our conclusions.**—In conclusion, therefore, we are satisfied that the real causes of indebtedness, that is to say, of financial embarrassment owing to the accumulation of debt beyond immediate paying capacity are (i) the extreme variations of crop outturns and prices, (ii) high rates of interest, and (iii) the absence of proper facilities for, or a system of capital investment in good years.

782. We consider the remedies required hereafter. In the meanwhile we consider the effects of indebtedness.

XI

Effects of Indebtedness.

783. The effects of Indebtedness.—Before the commencement of our enquiries several of us held with regard to the effects of agricultural indebtedness the general views expressed in the Report of the Royal Commission on Agriculture. The evidence collected in the course of our enquiries has, however, shown the real state of affairs in this province to be somewhat different, particularly with regard to the general effect of indebtedness upon the cultivators' freedom of disposal of his produce under present day conditions.

784. Indebtedness in its proper sense, that is to say, financial embarrassment arising from the accumulation of debt, produces certain obvious results. Eventually it may result in the selling up of the debtor and his eviction from his landed property if transferable or saleable in execution of a decree. This has been the main justification for the restrictions on the transfer of occupancy tenancy and ryotwari land in the Central Provinces proper.

785. On the other hand, no such general restrictions exist in Berar. In 1925 an enquiry carried out by Mr. H. C. Greenfield, I.C.S., in Berar showed that up to date only one-sixteenth of the agricultural land had passed to the money-lenders.

786. In our village surveys we made enquiries into the number of persons who had lost their land in recent years through indebtedness, and had been reduced to the position of labourers. On the whole, the number was extremely small. It is true that in some villages the money-lending classes have acquired large areas of land, but quite an appreciable number of these persons have themselves taken to cultivation. In most villages, however, we found that the total area of land which had passed to non-agriculturists was small. Our enquiries show that at present at any rate the money-lender has no desire to take the land in satisfaction of debts. This may be partly due to the recent slump in land values in the cotton zone. Many money-lenders, however, informed us that they could make larger profits from the return of their money than from land, and at Akot in the Akola district, where we held a meeting of local money-lenders, they expressed a willingness to accept a lump sum in cash, equivalent to the capitalized value of the annual paying capacity of the debtor in full satisfaction of debts, if any agency for the amortisation of debts on these lines were established. Unfortunately no such agency exists at present.

787. No doubt in the famine years of 1897 and 1900 considerable areas passed to the money-lenders and there is a danger that not only the 4 per cent of cultivators in Berar at present hopelessly indebted, but also a considerable number of others may now lose their land in the present period of economic depression in the cotton zone, if credit facilities for the amortisation at low rates of interest of those debts, which have reached serious proportions, are not speedily provided.

788. But the money-lenders as a class are not anxious at present at any rate to evict their debtors if their debts can be satisfied by any other means. It seems clear that if money-lenders had been anxious to do so, they might by now have acquired much greater areas of land in lieu of debts than they have done. We discuss some aspects of this question elsewhere.

789. As regards the occupancy tenants of the Central Provinces, it has been repeatedly urged before us in our village enquiries, that an occupancy tenant who wishes to dispose of his land can always do so, while those who are hopelessly indebted eventually lose their land being compelled to surrender it to the malguzar, unless he for some special reason prefers to keep them on the land. It was argued that the only effect of the present absence of free rights of transfer was, that the tenant did not get the full value for his property.

790. There is much force in this argument, though it is probably an overstatement. There are undoubtedly a number of occupancy tenants and ryots who would speedily be evicted if their holdings were made transferable, unless credit facilities were simultaneously provided for the amortisation of their debts. But the lot of the heavily indebted cultivator who still remains in possession is in any case not an enviable one. This aspect we have considered in Chapter XII in discussing the working of the Insolvency Act.

791. We have also explained in Chapter II how in some villages in the Central Provinces the cultivators have been reduced through indebtedness to a condition little better than that of bondslaves of the malguzar. We have cited Surkhi (Saugor district) and Abhana (Damoh district), *vide* Appendices E-XLV and E-XLIX, respectively, as examples. Fortunately these conditions are nowadays not very common.

792. We have explained elsewhere that most of the sowkars do not press for prompt payment of the principal, if interest charges are regularly paid and the principle debt is kept within reasonable limits. We have pointed out above that the annual interest charges payable by the rent paying cultivators amount to about 6 crores of rupees, being nearly double the total land revenue demand of the province and more than 1½ times the total rental assessment in the malguzari villages *plus* revenue elsewhere. These heavy interest charges absorb a considerable portion of the net surplus of agricultural income over necessary expenses, and operate as a check on the development of the countryside, on the improvement of agriculture, and on a resulting increase in the national prosperity.

793. A very general impression also prevails that indebtedness restricts the cultivator's freedom of disposal of his produce. We have discussed this question in Chapter VII when dealing with marketing. Many of us inclined to this view before our enquiries commenced. We were glad to find, however, that it is not correct as regards present day conditions as a whole.

It will suffice here to state that as a general rule nowadays the fact of indebtedness does not prevent the cultivator from obtaining a fair price for his produce, nor deprive him of a reasonable time for its disposal. Undoubtedly many cultivators do bring produce on the market as soon as it is harvested. But this is due to other causes explained in Chapter VII where we have also pointed out the dangers of holding up produce in a fluctuating market dominated by world factors.

794. It is not necessary to discuss the affects of indebtedness further beyond stating that indebtedness has a generally demoralizing effect in agriculture as in all other professions. The village of Rajegaon, Balaghat district (Appendix E-XXXVIII), provides an interesting example of this. This was one of the few villages in which the cultivators appeared to intend to avoid repayment of debts if they would possibly do so. The occupancy tenants for this reason did not desire that their land should become transferable.

795. The Abbé Dubois' views in the early 18th century.— The Abbé Dubois has recorded his general impressions with regard to Southern India some 200 years ago, to the effect that no one ever borrowed money without hoping by some means or another to avoid repayment. Whether this reverend gentleman's impressions of the local conditions then prevailing in South India were correct or not, we were glad to find that although cultivators are lax about repayment, the proportion in this province who borrow money without any intention to repay, is relatively small as is explained hereafter.

XI

Sources of finance.

796. Sources of finance and conditions of borrowing.— These two subjects can conveniently be considered together.

797. The following statement shows the total amount of estimated agricultural debt due:—

(1) to Government,

(2) to Co-operative Credit Banks,

(3) to landlords,

(4) to Mahajans.

Sources from which

Zone and district.	Government.		Co-operative
	Amount.	Percentage of whole.	Amount.
1	2	3	4
Cotton zone.	Rs.		Rs.
Amraoti ...	1,33,304	·34	31,82,472
Akola ...	3,21,448	·73	22,03,060
Buldana ...	2,74,773	·75	19,16,895
Yeotmal ...	2,70,356	·86	11,76,117
Nimar ...	1,73,311	1·0	3,59,549
Wardha ...	40,448	·21	1,62,867
Nagpur ...	46,932	·16	3,96,475
Total ...	12,60,572	·57	93,97,435
Rice zone.			
Raipur ...	1,06,184	1·07	2,78,893
Bilaspur ...	1,18,068	1·5	2,92,654
Drug ...	53,400	·74	1,33,232
Balaghat ...	37,822	·57	1,51,309
Bhandara ...	69,286	·41	1,34,391
Chanda ...	1,11,363	1·18	2,91,784
Total ...	4,96,123	·82	12,82,263
Wheat zone.			
Jubbulpore ...	27,27,553	13	13,97,265
Saugor ...	19,92,108	11·6	1,12,090
Damoh ...	13,10,548	13·1	1,52,431
Narsinghpur ...	8,83,461	12	2,69,084
Hoshangabad ...	1,03,135	·6	2,64,459
Total ...	70,16,805	10	21,95,329
Plateau zone.			
Mandla ...	6,03,519	21·5	89,612
Seoni ...	9,54,725	14·8	58,707
Chhindwara ...	33,294	·37	1,28,981
Betul ...	37,090	·74	2,09,621
Total ...	16,28,628	9·35	4,86,921
Provincial total ...	1,04,02,128	2·60	1,33,61,948

loans were obtained.

credit.	Landlord.		Mahajan.	
Percentage of whole.	Amount.	Percentage of whole.	Amount.	Percentage of whole.
5	6	7	8	9
	Rs.		Rs.	
8·10	...	...	3,59,83,022	91·56
4·98	...	...	4,16,72,664	94·29
5·22	...	...	3,45,19,916	94·03
3·74	29,96,448	9·52	2,70,42,309	85·88
2·21	5,85,144	3·6	1,51,36,052	93·19
·86	31,68,967	16·8	1,54,90,622	82·13
1·04	79,70,339	29·5	1,86,04,356	70·30
3·73	1,47,20,898	8·50	18,84,48,941	87·20
2·80	...	...	95,52,787	96·13
3·86	...	...	71,70,524	94·64
1·86	...	...	69,64,935	97·40
2·28	17,62,360	19	46,61,066	78·15
·8	68,00,266	41·2	95,01,636	57·59
3·1	12,74,374	13·6	76,92,966	82·12
2·45	98,37,000	12·3	4,55,43,914	84·43
6·2	33,34,496	16	1,33,81,361	68·3
·5	45,27,346	25·4	1,11,82,764	62·8
1·5	23,75,287	23·8	61,41,931	62·4
3·8	14,15,737	20·2	44,40,345	64
1·7	26,32,734	17·2	1,19,86,016	80·5
2·3	1,42,85,600	20·68	4,71,32,420	68·24
3·2	...	...	21,04,609	75·3
1·8	4,10,154	6	50,06,988	77·4
1·4	16,63,649	18·8	70,23,359	80·51
4·2	13,50,279	27·68	33,55,307	67·38
2·6	34,24,082	12·94	1,74,90,263	75·11
2·89	4,22,67,580	11·80	29,86,15,538	82·71

798. In Berar, we came across a few rare instances where big cultivators had taken advances from the Imperial Bank of India on the security of gold. But it may be stated at once that joint stock and commercial banks play no significant part in financing agriculture; nor, as a matter of fact, is the financing of agriculture one of the legitimate or normal functions of a commercial bank, although a large number of witnesses who have come before us have, possibly through a failure to appreciate the nature of the resources and methods of business of a commercial bank, criticised the Imperial Bank of India for failing to take a larger part in the direct financing of agriculture, and have pressed for a change in their methods of business in future.

799. Government.—The debts due to Government are mainly loans advanced under the Land Improvement and Agriculturists' Loans Acts, although in some of the districts of the wheat zone they include amounts of land revenue which have been suspended owing to crop calamities. The total amount of land revenue suspended at present is Rs. 22,93,662. The remaining sum of Rs. 81,08,466 due to Government consists of taccavi loans. It represents 2 per cent only of the total agricultural debt.

800. The rate of interest at present charged on taccavi advances is 6¼ per cent.

801. The loans under the Agriculturists' Loans Act are normally advanced only for the purchase of seed and bullocks and they are usually advanced on the joint security of a number of persons. Loans under the Land Improvement Loans Act are advanced for the purposes of land improvement, such as field embankment and the construction of wells or tanks. These loans are, under present practice, advanced as a rule mainly to persons of substance and are secured by the hypothecation of landed property. A further discussion of the system of both loans will be found in Chapter VI.

802. It suffices here to note that up to now, the policy of Government had been to confine taccavi advances under the Agriculturists' Loans Act as a rule only to the provision of the amount considered absolutely necessary for enabling the land to be sown, and that the sums allotted for distribution under this Act outside the areas of distress and scarcity have usually been relatively unimportant. It is true that advances for the purchase of improved seed and improved implements through the Agricultural Department come under the Agriculturists' Loans Act, and that for this purpose a separate sum is usually annually earmarked in every district. But the sum so earmarked per district usually does not exceed a few thousands of rupees, and is altogether insignificant. Outside the districts affected by crop failure, *i.e.* Saugor, Damoh, Jubbulpore, Narsinghpur, Mandla and Seoni, the total amount of taccavi advances now outstanding in the remaining sixteen districts of the Central Provinces and Berar is Rs. 18,09,187 or an average of Rs. 1,13,074 per district.

803. Co-operative.—A description of the co-operative credit banks has been given in Chapter III and all aspects of co-operation are discussed in detail in Chapter XI. There are now Central Banks in all districts with a varying number of societies. In several districts a considerable part of the sums shown as due to the co-operative credit banks consists of overdue arrears, a relic of the old policy of advancing money without proper supervision and without proper examination of the paying capacity of the borrower, coupled with slackness in recovery.

The co-operative credit banks charge 9 per cent to societies unless the accumulation of the society's reserve has resulted in a small reduction in the rate to 7 or 8 per cent. The society, in its turn, normally charges 12 per cent interest to its members. Advances are on the joint and several unlimited liability of each member of the society. The liability of the share-holders of the Central Bank is, however, limited. The total debts of members of co-operative credit societies outstanding amount to about 2.75 per cent of the total agricultural debt, and much of this is made up of overdue arrears as is explained in Chapter XI.

804. Landlords.—It will be seen that the total amount of advances by landlords comes to 11.80 per cent of the total amount of agricultural debts outstanding. As is explained elsewhere, all grain debts in these calculations have been converted into their money equivalent: but a large proportion of advances made by landlords are originally in grain. Many of them finance a major portion of the seasonal requiremnets of their tenantry in cash and grain, and where the malguzar is beneficent and has the real interests of his tenantry at heart the system works very well indeed.

805. On the other hand, as has been previously explained, malguzars of the opposite type have by their position peculiar facilities for enriching themselves at the expense of the tenants and may become one of the main causes of the economic depression of their tenantry. Everything depends upon the personal equation. We have explained elsewhere that, in the south of the province particularly, there are a number of big absentee landlords, who do an extensive money-lending business not only with their own tenantry, but in neighbouring villages, maintaining local branches for cash and grain lending business under the control of local munims or agents, some of whom in the past acquired an evil reputation for exploiting the tenantry for their own personal advantage. Sir Reginald Craddock, G.C.I.E., K.C.S.I., who carried out the Nagpur settlement of the nineties, animadverted very strongly on certain evils of this system. In the subsequent settlement, the Settlement Officer, Mr. Dyer, C.I.E., I.C.S., noted a change for the better as a result of these strictures, and we have quoted some of Mr. Dyer's remarks in our note on the Nagpur district.

806. Court of Wards.—In our intensive enquiry note on the village Gadaghat in the Jubbulpore district, Appendix E-XLIV, we have discussed the failure of the Court of Wards to provide adequate credit facilities for its tenants.

798. In Berar, we came across a few rare instances where big cultivators had taken advances from the Imperial Bank of India on the security of gold. But it may be stated at once that joint stock and commercial banks play no significant part in financing agriculture; nor, as a matter of fact, is the financing of agriculture one of the legitimate or normal functions of a commercial bank, although a large number of witnesses who have come before us have, possibly through a failure to appreciate the nature of the resources and methods of business of a commercial bank, criticised the Imperial Bank of India for failing to take a larger part in the direct financing of agriculture, and have pressed for a change in their methods of business in future.

799. Government.—The debts due to Government are mainly loans advanced under the Land Improvement and Agriculturists' Loans Acts, although in some of the districts of the wheat zone they include amounts of land revenue which have been suspended owing to crop calamities. The total amount of land revenue suspended at present is Rs. 22,93,662. The remaining sum of Rs. 81,08,466 due to Government consists of taccavi loans. It represents 2 per cent only of the total agricultural debt.

800. The rate of interest at present charged on taccavi advances is $6\frac{1}{4}$ per cent.

801. The loans under the Agriculturists' Loans Act are normally advanced only for the purchase of seed and bullocks and they are usually advanced on the joint security of a number of persons. Loans under the Land Improvement Loans Act are advanced for the purposes of land improvement, such as field embankment and the construction of wells or tanks. These loans are, under present practice, advanced as a rule mainly to persons of substance and are secured by the hypothecation of landed property. A further discussion of the system of both loans will be found in Chapter VI.

802. It suffices here to note that up to now, the policy of Government had been to confine taccavi advances under the Agriculturists' Loans Act as a rule only to the provision of the amount considered absolutely necessary for enabling the land to be sown, and that the sums allotted for distribution under this Act outside the areas of distress and scarcity have usually been relatively unimportant. It is true that advances for the purchase of improved seed and improved implements through the Agricultural Department come under the Agriculturists' Loans Act, and that for this purpose a separate sum is usually annually earmarked in every district. But the sum so earmarked per district usually does not exceed a few thousands of rupees, and is altogether insignificant. Outside the districts affected by crop failure, *i.e.* Saugor, Damoh, Jubbulpore, Narsinghpur, Mandla and Seoni, the total amount of taccavi advances now outstanding in the remaining sixteen districts of the Central Provinces and Berar is Rs. 18,09,187 or an average of Rs. 1,13,074 per district.

803. Co-operative.—A description of the co-operative credit banks has been given in Chapter III and all aspects of co-operation are discussed in detail in Chapter XI. There are now Central Banks in all districts with a varying number of societies. In several districts a considerable part of the sums shown as due to the co-operative credit banks consists of overdue arrears, a relic of the old policy of advancing money without proper supervision and without proper examination of the paying capacity of the borrower, coupled with slackness in recovery.

The co-operative credit banks charge 9 per cent to societies unless the accumulation of the society's reserve has resulted in a small reduction in the rate to 7 or 8 per cent. The society, in its turn, normally charges 12 per cent interest to its members. Advances are on the joint and several unlimited liability of each member of the society. The liability of the share-holders of the Central Bank is, however, limited. The total debts of members of co-operative credit societies outstanding amount to about 2.75 per cent of the total agricultural debt, and much of this is made up of overdue arrears as is explained in Chapter XI.

804. Landlords.—It will be seen that the total amount of advances by landlords comes to 11.80 per cent of the total amount of agricultural debts outstanding. As is explained elsewhere, all grain debts in these calculations have been converted into their money equivalent: but a large proportion of advances made by landlords are originally in grain. Many of them finance a major portion of the seasonal requiremnets of their tenantry in cash and grain, and where the malguzar is beneficent and has the real interests of his tenantry at heart the system works very well indeed.

805. On the other hand, as has been previously explained, malguzars of the opposite type have by their position peculiar facilities for enriching themselves at the expense of the tenants and may become one of the main causes of the economic depression of their tenantry. Everything depends upon the personal equation. We have explained elsewhere that, in the south of the province particularly, there are a number of big absentee landlords, who do an extensive money-lending business not only with their own tenantry, but in neighbouring villages, maintaining local branches for cash and grain lending business under the control of local munims or agents, some of whom in the past acquired an evil reputation for exploiting the tenantry for their own personal advantage. Sir Reginald Craddock, G.C.I.E., K.C.S.I., who carried out the Nagpur settlement of the nineties, animadverted very strongly on certain evils of this system. In the subsequent settlement, the Settlement Officer, Mr. Dyer, C.I.E., I.C.S., noted a change for the better as a result of these strictures, and we have quoted some of Mr. Dyer's remarks in our note on the Nagpur district.

806. Court of Wards.—In our intensive enquiry note on the village Gadaghat in the Jubbulpore district, Appendix E-XLIV, we have discussed the failure of the Court of Wards to provide adequate credit facilities for its tenants.

807. Under the Court of Wards Act, the Commissioner of the Division is the Court of Wards. When substantial estates have become encumbered with debt and it is necessary to nurse them carefully in order to prevent them from being lost by their owners, and also, when the larger estates are inherited by minors or mentally defective persons, etc., etc., who are incapable of proper management, the Government is empowered to take them under the management of the Court of Wards. At present 26 estates are under Court of Wards management in the Central Provinces and many of them are of a considerable area, containing a large number of villages. The total area of the estates at present under the management of the Court of Wards is 2,130,575 acres.

808. We proceed to consider the credit facilities which the Court of Wards at present affords to its tenantry. In the Court of Wards estates advances to tenants are known as taccavi; but this taccavi must be carefully distinguished from the taccavi advances made by Government under the Agriculturists' Loans Act and Land Improvement Loans Act.

809. In the seven estates of the Jubbulpore Division, with a total gross ordinary income of Rs. 2,01,074, only Rs. 200 in all were advanced in taccavi loans during the year by the Court of Wards. This was in the one estate of Katra-Belkheda. In the Diwan's estate, which includes some 100 villages, although Rs. 84,210 were spent during the year in other investments and the cash balance at the close of the year was Rs. 41,260, no taccavi advances at all were made to tenants.

810. In the four estates of the Nerbudda Division with a total gross income of Rs. 1,69,895, Rs. 500 in all were advanced in taccavi during the year. This was in the Harrai-Pagara estates which invested Rs. 1,52,460 in other investments during the year, and had a closing balance of Rs. 63,284.

811. In the six estates of the Nagpur Division, with a total gross income of Rs. 4,95,058, the only taccavi advances made were Rs. 945 advanced in the Porla estate of the Chanda district. The cash balance in this division at the close of the year was Rs. 95,780.

812. The Raipur Division appears to be the only division in which the system of financing tenants nowadays receives the serious attention of the Court of Wards. In the nine estates of the Chhattisgarh Division, with a total gross ordinary income of Rs. 4,24,852, Rs. 43,545 in all were advanced in taccavi during the year. Out of this sum Rs. 35,000 were advanced in the Kauria estate of the Raipur district. This estate did not invest any other money during the year, and has a total gross average expenditure of Rs. 71,910. This estate, which belongs to a widow, has always been well managed. It appears, however, to be the exception which proves the rule as regards the financing of the tenantry.

813. There seems, at first sight, to be no reason why the other estates under the Court of Wards management should not follow the example of Kauria.

814. We realize that attention in the past has not been focussed on the urgent need for improving credit and investment facilities in rural areas; but we have every reason to hope that, as a result of our enquiries, there will now be a rapid appreciation of the fact that the future progress and development of the province is bound up with the solution of this problem. Elsewhere, we stress the need for an urgent campaign for the education, uplift and economic development of rural areas, and we feel sure that Government will see that the estates under the management of the Court of Wrads are in the forefront of this campaign.

815. We have explained in Chapter II of our report the peculiar facilities which the malguzar has for the recovery of loans and the great opportunities which he has for providing financial assistance to his tenantry in times of need.

816. We have quoted several instances of villages surveyed by us where a beneficent malguzar has been the main pillar of economic stability in his village, and we have recorded the considered opinion that where the malguzar has the real interests of his tenants at heart, there can be no better agency for financing them.

817. In taking estates under the management of the Court of Wards, Government assumes a responsibility for their good management on behalf of the landlord who has been taken under guardianship, and it has, we believe, always been an accepted principle that in the management of these estates, the Court of Wards should set an example to the other landlords. The influence of the Court of Wards on the economic life of the cultivators should then be at least as beneficent as that of the ordinary beneficent malguzar. In the note on Gadaghat we have pointed out that, if the Court of Wards accepts the responsibility for meeting the short-term and intermediate term requirements of its tenantry, no other credit facilities will be required in those estates, when once a provincial land mortgage bank is established.

818. Elsewhere in this report we make certain suggestions for the improvement of investment facilities in rural areas. It might be possible to work out, for the estates under the management of the Court of Wards, a system of savings similar to the Provident Fund Scheme which we have suggested for the clients of our proposed Land Mortgage Bank.

819. Although it is undoubtedly the primary duty of the Court of Wards to secure the financial stability of those landlords whose estates it has taken under administration, it will, we feel, be admitted that the Court of Wards should consider it a duty no less important, to improve the economic condition of the tenantry, and to make the estates under its administration, models for the countryside. We do not consider it to be necessary to dwell further on this point, as we feel sure that the question will now receive from Government the attention which it deserves.

820. Mahajans.—The principal agricultural financial agency has always been and still is the indigenous banker or money-lender, known in rural parlance as the mahajan. It is the mahajan to whom the agriculturists at present owe Rs. 29,96,06,431 in all or 82.85 per cent of their total debts.

821. The history and description of the methods of the indigenous banker and the indigenous money-lender will be found elsewhere (*vide* Chapter II, paragraphs 507 and 527, Chapter III and throughout Chapters XIII and XIV). It is they who have, from the opening of history in India, borne the burden of financing agriculture under all sorts of conditions and under all degrees of risk; and, although under present conditions the interest charges may in many cases be unnecessarily high, and an unnecessarily heavy burden upon the agricultural community, we shall not be overstating the case if we say that there is no agency which has done so much for Indian agriculture as the indigenous money-lender.

822. Under existing financial conditions, it would be impossible for the Indian agriculturist to exist without him.

823. It is interesting to note that in the districts where scarcity has prevailed for the last two years, *e.g.*, in Saugor, Damoh and Jubbulpore, and where the normal requirements for maintenance and for producing the crop amounts to Rs. 4,99,59,698 per annum, the total sum advanced to agriculturists by Government in those two years was Rs. 43,69,192, while the total sum due to malguzars and mahajans is Rs. 3,16,96,952.

This is the outcome of the settled policy of Government of leaving the financing of agriculture to the indigenous banker and money-lender as far as possible. This function the malguzars and mahajans have continued to perform without much guidance or assistance from above, and largely by the light of nature according to the age-long customs and methods which they have inherited from their forefathers.

824. When it is stated that the methods of the indigenous financier are old fashioned and an obstacle to the economic development of the country, it should at the same time be conceded that up to now no attempt has been made to educate the money-lending classes in any methods of business different from those which their fathers taught them.

825. The general conditions of borrowing from the landlord and mahajan do not differ very greatly. A large number of agriculturists have what may be described a running account with their sowkar or landlord. Provided they make regular repayments of interest and of principal when their creditor thinks that they are in a position to do so, they are usually able to obtain whatever sums they may require from time to time either in cash or grain for their maintenance, for agricultural expenses, for the purchase of bullocks, and for expenditure on ceremonies such as marriages, etc., up to the sowkar's estimate of their paying capacity.

826. The rural resident money-lender and the malguzar are in close touch with those persons to whom they advance money, and have a very clear idea of their financial position, their capacity to pay and their personal honesty. We have found throughout our enquiries that the rates of interest vary with the personal character as well as with the material credit of the individual borrower.

827. Advances in the first case for ordinary small sums are usually made upon the current account, an entry being made in the khata of the lender with the signature, or thumb-impression of the borrower, if he is, as he usually happens to be, illiterate.

828. In some cases, particularly in the case of small sums, the loans are oral and it may safely be said that the number of money transactions which come before the Courts of Law, represent only a very small portion of the total. The system of indigenous money-lending is discussed in detail elsewhere.

XIII

Credit facilities for discharging prior debts.

829. **Existing credit facilities for discharging debt.**—This is a subject which appears to us to be of very great importance. We may state at once that no adequate facilities at present exist for discharging old debts. If a debt is not repaid in due time it will usually be allowed to run on for some further period, usually at what is known as the penal rate of interest.

830. The ordinary rate of interest charged on unsecured debts from all those persons who do not possess rights of transfer in their land, that is to say, from the vast majority of the cultivators in the Central Provinces, is 25 per cent. On grain debts there is usually no penal stipulation; but on money debts there is often the stipulation that, in default of payment on the due date, interest at 37½ per cent will be charged.

831. The indigenous money-lender does not seriously worry himself about the prompt repayment of the principal provided he considers his money is safe, and provided the interest is repaid with an ordinary amount of regularity. In fact nearly all the money-lenders and landlords carry on their business on their own capital, and their main object, apart from any altruistic motives which any particular malguzar may have for improving the condition of his tenantry, is the investment of their capital at a remunerative rate of interest. When the debt begins to accumulate, the money-lender will usually take a written bond if he has not already done so, and where the debtor owns transferable property, he will usually insist on a mortgage of the property as well.

832. If repayment is not made, the bond will again be renewed to prevent it becoming time-barred, or if the money-lender insists on repayment, the debtor may raise a loan from some other person to repay the money-lender and execute a fresh bond. Otherwise the creditor will file a civil suit and obtain a decree which will be executed by sale of the property if it is saleable or by foreclosure in case of a foreclosure mortgage.

833. But the period for which these loans are advanced and the rates of interest at present prevailing usually result in the debtor losing his land, which cannot be considered, at least as far as the agriculturist himself is concerned, to be a suitable method of discharging debt.

834. Numerous instances have come to our notice in this connection where persons have borrowed from the co-operative credit bank to repay old debts due to sowkars, and, when the time for the repayment of instalments to the co-operative credit societies comes, have again borrowed money from money-lenders.

835. **Co-operative credit societies and old debts.**—We must consider here briefly one aspect of the co-operative credit movement. Our enquiries show that for a considerable period at any rate the view was held in some quarters that co-operative credit in this province was a suitable agency for the discharging of old debts, and we have found any number of instances in which large sums of money have been advanced in the past to individual members of co-operative credit societies for this purpose. We are glad to find, however, an increasing appreciation among thinking persons in this province at any rate, of the fact that a banking institution, whose resources consist largely of short-term deposits, cannot attempt to carry on a long-term business.

836. The Central Banks have not as a rule made ostensible long-term loans within the strict meaning of the phrase, although they have in some cases granted loans repayable over a period of six or seven years. As a rule when these advances have been for a substantial sum, particularly for the repayment of old debts, the instalments have not as a matter of fact been repaid on the due date; and in the past during the period of laxity in collection, extensions of time have been readily granted.

837. With regard to the fairly numerous cases, in which advances by co-operative credit societies for the repayment of old debts have been made for sums exceeding 50 per cent of the estimated assets of the individual member concerned, we have explained earlier in the report that the net profits of agriculture could not suffice for the repayment, with interest at 12 per cent, of half the total value of property of the cultivator within a period of 6 or 7 years. It is perhaps not necessary to dilate on what is after all an obvious fact.

838. When debts have accumulated to substantial sums it is impossible to liquidate them by payment of regular fixed instalments at 12 per cent interest over a short period of years, although if boom years intervene large repayments may be made; nor, on the other hand, can a bank, whose resources are made up almost entirely of short-term deposits, lock up its capital even for as long a period as 6 or 7 years without running grave risks.

839. In short, it ought to be obvious, and we are glad to find that it is now in the Central Provinces and Berar at any rate almost everywhere realized, that a co-operative credit bank

financed by short-term deposits cannot provide adequate credit facilities for discharging debts, although with proper training in the principles of co-operation, and with proper supervision, it is no doubt a suitable agency for financing the short-term and possibly the intermediate financial requirements of agriculture.

840. Land mortgage bank.—There are now few countries in the world where the need for a land mortgage bank for advancing long-term loans to agriculture has not been realized and has not been met, and it appears to us that the only suitable financial agency for the liquidation of debts is a provincial land mortgage bank, in the absence of which it cannot be maintained that adequate facilities exist in the Central Provinces for discharging debts.

XIV.

Debt Conciliation.

841. Debt conciliation.—We have been asked by the Central Committee to report on the debt conciliation proceedings which were undertaken by Government in various parts of the province during the period of economic depression resulting from the famine years of 1897—1900. A consideration of this subject may conveniently be made here, as it relates to the question of facilities for discharging prior debts. We have been able to collect the following figures with regard to these proceedings, but there may have been some debt conciliation in other districts for which figures are not now forthcoming.

842. The following statement will show the places where and the year in which the proceedings were started, as also the debt conciliated:—

District.	The year when proceedings were started.	Total debt at the inception of the proceedings.	Amount remitted.	Persons brought under its operations.	
				Malguzars.	Tenants.
1	2	3	4	5	6
		Rs.	Rs		
Damoh (3rds of the district)	1899	30,00,000	24,00,000	Not available.	
Balaghat ...	1901	17,55,855	5,92,473	507	8,724
Bhandara ...	1901	12,31,644	5,72,088	283	3,072
Hoshangabad ...	1903-04	81,08,023	51,79,189	9,045	Not given.
Betul ...	1904-05	20,47,836	11,96,315	3,600 persons (both malguzars and tenants).	
Jubbulpore ...	1907—12	44,86,154	22,30,839	Not available.	

843. Method of work.—The agency used consisted of local panchayats under the direction of a Government officer. Debtors and creditors were collected in every village and after the objects of the proceedings were explained to them, they were called upon to sign an agreement to abide by the decision of the

conciliators. The creditors were also required to sign a certificate that the statement of their claims was complete, and that any item omitted from it should be considered void.

844. The paying capacity of the debtor was then ascertained and the liabilities distributed. In the case of tenants, instalments were spread over a period of 5 to 10 years and in the case of malguzars 15 years. The instalments in each case were fixed on the basis of rent or revenue paid.

845. Six per cent interest was allowed in the case of overdue instalments of cash loans and 12½ per cent on grain loans. In any year in which Government revenue was remitted or suspended by reason of failure of crops, default in payment of instalment did not incur interest.

846. No special agency was created for discharging the debts as compounded, and no cash payments were made to the creditors. The proceedings amounted largly to writing off a good deal of irrecoverable debt. We have quoted Mr. Trench's remarks in the note on Damoh to show that in some cases "the "creditors soon repented of the wave of generous enthusiasm that" "swept like a wave over the district in 1899, and have ever since" "collected their debts with a rigour which has created much" "bitterness and caused the absorption of much tenancy land".

847. The results were in any case only made possible by the exercise of considerable executive pressure. There is on record the case of a prominent landlord money-lender who was on the list of those persons entitled to a personal interview with the Head of the Province. The local officers found this individual recalcitrant, and unwilling to agree to their proposals for conciliation. The Chief Commissoner was informed and refused to grant him an interview. This produced the desired effect. He apologized in writing for his previous recalcitrance, and proceeded to agree to debt conciliation.

848. This is one instance of the beneficent use made of the influence of Government officials in those days. We doubt, however, whether similar methods could be efficacious under present conditions, nor do we now recommend an attempt at debt conciliation on such lines.

849. There is, however, no doubt that many creditors would readily agree to accept in full satisfaction of their dues a considerably less sum, if paid down in cash. As soon as a land mortgage bank is established for providing long-term loans at low rates of interest, much good could undoubtedly be done by composition of outstandings. We have quoted the case of Akot to show that many money-lenders might be willing to accept in full satisfaction of debts, whatever sum the land mortgage bank found to be the full capitalized value of the actual paying capacity of the debtor, provided the bank paid down in cash the sum agreed on, and took over the debt for amortization.

850. The District Development Boards and those assisting in the campaign of rural reconstruction advocated by us in Chapter XV could give much assistance in this way. As soon as a land mortgage bank is established and our Economic Development Board scheme is implemented, the methods to be adopted could be worked out in detail.

CHAPTER V.—CREDIT FACILITIES REQUIRED FOR FINANCING AGRICULTURAL EXPENSES, EXPENSES OF MAINTENANCE AND PAYMENT OF LAND REVENUE, ETC.

I

CREDIT FACILITIES REQUIRED.

851. Credit facilities required.—The question of the credit facilities required for financing ordinary agricultural expenses is intimately bound up with the question of thrift and investment. Earlier in the report, we have laid stress on the extreme variations in crop outturn from year to year, and have pointed out that, although in normal years, when the crop outturn is not less than the average, there is a certain surplus over the ordinary expenses of agriculture maintenance and rent, in years of poor harvests the value of the gross outturn is not sufficient to meet these charges. Elsewhere we have explained that, owing to the lack of adequate facilities for investment and to other historical reasons, the habit of investment of savings for meeting the expenses of years of crop failure is practically non-existent in rural areas, although big cultivators keep a certain reserve, of grain, gold and silver with them. We have also explained that, according to the indigenous financial system, a large number of agriculturists ordinarily maintain a running account with the local sowkar or money-lender, taking advances from time to time and repaying as much as is possible when the harvest comes.

852. In considering the credit facilities required under these circumstances, we have, therefore, to consider existing customs and existing conditions.

853. We have explained already that our enquiries show that at least 40 per cent of the ordinary costs of cultivation are annually taken in short-term or seasonal advances by the cultivators in most parts of the province, excluding Chhattisgarh and the more backward tracts of the Satpura Plateau, etc. In addition there are a certain number of cultivators who also take advances from time to time during the agricultural year for their food and clothing, making repayments at harvest time.

854. Seasonal requirements of rent-paying cultivators.—For facility of reference, we repeat again here our estimate of the normal annual expenditure of rent-paying cultivators on maintenance, costs of cultivation and payment of rent or land revenue :—

Zones.	Cost of cultivation.	Maintenance.	Rent.	Total of columns 1, 2 and 3.	Estimate of amount required in seasonal loans.
1	2	3	4	5	6
	Rs.	Rs.	Rs	Rs.	Rs.
Cotton ...	9,16,84,127	9,48,69,586	1,38,25,537	20,63,79,270	3,66,73,520
Wheat ...	2,91,31,440	3,98,28,150	61,90,301	7,51,49,891	1,76,06,995
Rice ...	6,50,84,725	11,24,17,520	58,37,065	18,33,39,310	1,16,52,570
Satpura Plateau	2,13,33,718	3,44,87,150	23,87,862	5,82,08,780	61,99,001
Total ...	20,72,34,060	28,16,02,406	2,82,40,765	51,70,77,231	7,21,32,086

In column 5 of the above statement we give an estimate of the normal amount required for financing the ordinary short-term loans or seasonal advances of cultivators.

855. In years of crop failure, of course, a special situation arises and, in these seasons, particularly when several bad years follow in succession, a much larger number of cultivators are compelled to take advances for the expenses of cultivation, while the amount of the advances taken for cultivating expenses, for maintenance, etc., is much larger. It may often happen that the net outturn, after deducting the costs of cultivation and the rent, will not suffice for maintenance, until the coming of the next harvest. As these years are liable to occur with considerable frequency, we may assume that in any district of the province, in one year out of three years, a sum approximating to one half of the total costs of maintenance and cultivation may be required in loans, in addition to the amounts outstanding in the previous year.

856. It is a matter of experience, however, that, although the crop outturns vary considerably in districts from year to year, it very rarely happens that the crops in all the various zones fail simulteaneously in the same year. For instance, in one year in the wheat zone the crop may be poor, while in the rice zone it may be good. Still for the purpose of calculation, it will be more prudent to estimate that our agricultural financiers should have, in reserve, in addition to the sum required for the ordinary seasonal advances, a sum amounting to one half of the total costs of maintenance and cultivation.

857. **Intermediate Loans.**—In addition to these purely short-term loans, we have to consider in addition the requirements for intermediate loans, that is to say, for loans which cannot ordinarily be repaid in one year, but which can be repaid in three or four years, and which cannot, therefore, correctly come under the class of long-term loans. The purchase of cattle and expenditure upon marriages and other social ceremonies fall under this category. We have included in our estimates of the annual costs of cultivation of the average cultivator the annual capital depreciation on the price of agricultural cattle. For example, in the cotton zone, where under the local system of cultivation one pair of bullocks costing, say, Rs. 160 with a working life of, say, eight years, suffice for the cultivation of 20 acres of land, the annual depreciation per acre of land cultivated will be Rs. 160 divided by 8×20 or Re. 1. In Chhattisgarh, to quote another example, where both bullocks and he-buffaloes are used for the rice cultivation and where cattle mortality through epidemics is very high, the annual capital depreciation per cultivated acre may be Re. 1-8-0 per acre (*vide* note on Charra Dhamtari tahsil, Raipur district, Appendix E-LXXVII).

858. A cultivator with a large holding may annually replace some of his farmstock; but the ordinary cultivator with one pair of bullocks will only replace them when they die or become too old to work. He may then be required to expend a sum which for him is comparatively large, and will often require a loan for

the purpose. In Chhattisgarh, as is explained elsewhere, purchase of cattle is the main cause of whatever indebtedness exists. Although therefore in calculating the average over large areas the annual capital depreciation on the cost of cattle must be included in the average cost of cultivation, the expenses of the individual cultivator under this head are not necessarily spread out as annual charges, but occur in a lump sum from time to time.

859. Marriages.—Again as regards marriages, the average parents produce, as is shown from the Census figures, three surviving children, and we may assume, therefore, that this will imply three marriages per household per generation, *i.e.*, three marriages during a period of 25 years or so, *i.e.*, one marriage every seven or eight years. These marriages may follow one another closely if there is no marked difference in the ages of children. The ordinary cultivator may spend anything from Rs. 150 to Rs. 1,000 on a marriage according to his position and the local customs prevailing. Taking an average of Rs. 250, a saving of about Rs. 30 to Rs. 40 per annum will be required to meet these expenses. As a matter of fact, many cultivators do put by some savings for forthcoming marriages, while others meet part of the expenditure by the sale of cattle, etc., but the more frequent habit is to take a loan when required, which loan is usually for a sum too large to be ordinarily repaid in one year.

860. In actual practice, these intermediate loans are added to the amount due on seasonal advances or other advances outstanding in the sowkar's account books, and the cultivator continues to make annual repayments of as much as he can spare when the harvest comes, and to take further advances as required.

861. Elasticity of indigenous system.—The indigenous system of short-term and intermediate loans is elastic and simple, and the credit facilities provided by the system are in many ways well suited to the special conditions of agriculture in India.

862. Its good and bad points.—The main defects are the relatively high rates of interest and the easy going methods of the village money-lender who, as often as not, is contented to allow debts to run on when they could, if necessary, be repaid. The easy going methods of the local sowkar are generally popular with the average cultivator, provided the sowkar is reasonably honest, and many witnesses who have appeared before us, have actually commended this laxity in recovery as one of the best points of the indigenous credit agency. The sowkar on his own part usually prefers to allow the account to run on provided the interest charges are paid with reasonable regularity and the capital debt kept within reasonable limits.

863. The system, therefore, suits the easy-going ways of both parties; but is undoubtedly economically unsound and causes a great drain upon agriculture in interest charges—a drain which is much greater than is nowadays necessary and which is one of the main obstacles to the development of the country side.

864. Elsewhere we have dwelt on the urgent need for investment facilities and the inculcation of the savings habit. In this chapter, however, we are concerned only with credit requirements under existing conditions.

II

EXISTING CREDIT FACILITIES.

865. Existing facilities for short and Intermediate loans.— The sources from these loans are obtained are :—

(1) The indigenous mahajan;
(2) The malguzar;
(3) Co-operative credit banks; and
(4) Government.

866. Enough has already been written above to make it plain that on the whole the existing facilities, although the rates of interest are high and the methods in some cases economically unsound, are adequate for the purpose.

867. (1) The Mahajan and the malguzar.—The mere fact that the indigenous money-lender and landlord have been, for many years past, financing the cultivator's requirements, speaks for itself. Experience shows that in all except abnormal years of continued failure of crops, the resources of the indigenous money-lender and the malguzar are sufficient to meet the demand.

868. (2) Co-operative credit banks.—The co-operative credit banks, which are of course a relatively innovation within the last 25 years, have also wide scope for financing these short-term and intermediate loan requirements and we feel quite satisfied that their lending business should primarily, if not entirely, be confined to this branch of money-lending. It is clear that under existing conditions when the co-operative credit banks depend, for their resources upon short-term deposits, they should not launch forth into the realm of long-term business. The changes which we advocate for improving the system of co-operative credit finance are discussed in Chapter XI and need not be dealt with further here. Nearly all the Central Banks have now ample surplus capital for expanding their operations, as is explained elsewhere. The fact that their operations have not been extended more rapidly is the result of the necessity, which arose a few years ago, for reorganizing and consolidating the position of numerous societies which were found to have been financed in the so-called period of expansion without sufficient enquiry and supervision.

869. Antipathy to co-operative credit movement.—The subsequent liquidation of a number of societies and the recovery of debts by attachment and sale of property and in some cases by the enforcement of joint liability has, as has been explained in our village enquiry notes, created a considerable antipathy to the co-operative credit movement in some areas. This prejudice will have to be overcome before new societies in those tracts can be established.

870. The following extract from our note on mauza Baiji in Chhattisgarh which was surveyed by us (Appendix E-LXXXVI), presents a rather interesting aspect of the case from the view point of the cultivator.

871. When asked by us as to their needs, they replied:—

"Our cattle often die of cattle epidemics and this puts us to loss. We sometimes suffer from attacks of cholera and small-pox. Sometimes our crops fail owing to the failure of the monsoon. These are all misfortunes which come to us from Heaven and they depend on the displeasure of our Great Master. These we endure as best we can. We do not ask you, gentlemen, to do anything for us. You may do anything which you think good; but we pray you, in your kindness, not to bring any Government irrigation canal here, nor to open any co-operative credit bank. These are misfortunes which we should not be able to bear. Any other misfortunes we can tolerate but these".

872. It can be confidently stated, however, that the co-operative credit banks have at present ample resources for a considerable extension of their activities, and that there is no reason why they should not in due course take an increasing part in the financing of short-term requirements and to a lesser degree of the intermediate loan requirements, of the agriculturists of the province, although some time will be required to complete the reorganization and training of societies, and there is no prospect of the movement supplementing the indigenous money-lender throughout the province within a reasonable period of time. It should be noted, however, that at present the indigenous sowkar and the landlord finance the much greater part of these requirements.

873. **Need of a land mortgage bank.**—The formation of a land mortgage bank for the amortization of old debts by long-term loans and for carrying on a long-term business forms an important part of our proposals as is explained hereafter. The establishment of a land mortgage bank of this kind would of necessity have very important reactions upon the short-term and intermediate loan business.

874. **Its result.**—It will inevitably restrict the sphere of activity of the indigenous banker and money-lender to short-term business in a much greater degree than before, but at the same time it will set free a considerable amount of their capital which is at present locked up in old debts. There is every reason to believe therefore that with the establishment of a land mortgage bank for long-term business, the existing facilities for financing short-term loan and intermediate loan requirements of agriculture will prove in general adequate.

875. **Need of special credit facilities in backward tracts.**—Although taken as a whole the credit facilities may be considered to be adequate, the case of the more backward tracts, particularly of ryotwari areas and villages with poor communications require special consideration. In our separate note on Chhattisgarh (Appendix J-XVII), we have invited attention to the fact that a rapid and continuing economic development of this tract may be

expected in the early future, and have stressed the need for extending credit facilities in those areas to keep pace with the inevitable demand which will arise. In that note and in Chapter XI we have pointed out that in Chhattisgarh particularly, the co-operative credit movement, has a wide field for development.

876. In the more backward tracts, where Gond aborigines predominate, and particularly in the ryotwari villages wherein the ryots, through the absence of any rights of transfer in their land, have very little credit, some special financial facilities appear to be necessary.

877. We have noted in our intensive village enquiries and elsewhere that in these backward tracts, particularly in ryotwari village, those who borrow money are required ordinarily to pay very high rates of interest which often approximate to 37½ per cent or even more. This brings us at once to the subject of Government loans.

878. (3) Part played by Government.—The amount of taccavi advances for financing the short-term requirements of the agriculturists exhibited in the various statements for the various districts, will make it sufficiently clear, without further demonstrations by us, that the part played by Government in ordinary years is relatively insignificant. On the other hand, the opinion unanimously held, not only by the non-official, but by the official, witnesses who replied to our questionnaire or who appeared before us to give oral evidence, was that the time had now come when the loan operations of Government should be extended, particularly in the ryotwari villages of the Central Provinces and in those backward tracts, where money transactions between the illiterate and unsophisticated cultivator and the professional money lender cannot, under existing circumstances, usually attain to the condition of a fair bargain. We have dealt with this question more fully at the end of Chapter VI.

879. Period.—The period of short-term loans for the financing of the costs of agriculture, maintenance, etc., whether made by the co-operative bank, by landlords or by mahajans, is universally up to the time of the marketing of the crops. The period of repayment of intermediate loans does not exceed three years under ordinary circumstances.

880. Although the degree of rigidity of recovery depends much upon the personal characteristics of the lender himself, we have found throughout the province that established custom is strongly in favour of regular repayments of short-term loans at harvest as far as it is possible to do so. In fact the credit of the individual cultivator and his future facilities for obtaining further advances will depend very largely upon his regularity in repayment of the seasonal loans. It is true that in many cases a certain balance will always be left outstanding in favour of the mahajan or money-lender, and as has been explained elsewhere, we have found in many areas that the money-lenders consider it to be unlucky to close an account entirely. On the other hand, just as many individuals in other countries always keep a small balance in hand at their credit with a bank rather than close the

account, the cultivator will usually leave a small balance outstanding due to the sowkar in order to keep the account alive, so that he may be sure to be treated as an old client and receive all the usual facilities whenever he may require further advances. But the main amount of the advances, that is to say, a sum reasonably approximating to the total amount of short-term loan borrowed during the year has to be repaid at harvest according to old established custom, provided the crop is normally good, unless the cultivator wishes to be branded as an unreliable person, and to have difficulties and be compelled to pay a higher rate of interest whenever he requires further advances.

881. **Distinction between short and intermediate loan non-existant in the existing system of agricultural finance.**—Under the present system of agricultural finance, no clear distinction is drawn between intermediate and long-term loans, and as a matter of fact even when large sums of money are borrowed which could not under ordinary circumstances be repaid within a short period of time, the period of repayment fixed in the bond of agreement does not ordinarily exceed three years. We have, however, in the present report, drawn a clear distinction between the intermediate and a long-term loan; because, while there is no reason why the intermediate loan should not be repaid under normal condition within a short period of time, some special facilities for the discharging of the so-called long-term loans over a longer period of years appear to be necessary as is explained elsewhere.

882. **Interest.**—The ordinary rate of interest on seasonal loans is 25 per cent . For larger sums and for intermediate loans the rate of interest varies considerably. Here too the ordinary occupancy tenant or Government ryot would be required to pay at least 25 per cent, and in any case the sum which will be advanced to him will be relatively small owing to the absence of rights of transfer in his land.

883. For substantial loans to the cultivators of Berar and for malik-makbuzas, absolute-occupancy tenants and malguzars of the Central Provinces, a lower rate of interest is often charged. If the property is mortgageable and is mortgaged as collateral, the rate of interest in the Central Provinces ordinarily varies between 6 and 12 per cent, 10 per cent being a fair average at present. If no mortgage be executed, the rate would approximate to 15 per cent.

884. In Berar, owing to the tightness of money and other reasons, the ordinary rate of interest on mortgages is at present between 12 and 18 per cent, the average being about 15 per cent, while to the ordinary cultivator of ordinary good credit, the rate of interest charged on unsecured debts will not be very much higher and will average about 18 per cent.

885. **Conditions.**—We have discussed elsewhere certain special forms of loans, such as the *mahinkhat*, so common in the southern districts of the provinces, and it is unnecessary to deal in detail with this aspect of the case here.

886. We have explained elsewhere how the "Laoni" system or the system of advancing money on the condition that the crop should be sold to the creditor at a price fixed at the time of the loan, which was at one time so common, is rapidly dying out. This system might, at first sight, appear to be a form of gambling in futures. It is true that in some cases the money-lender might suffer a loss through a sudden fall in prices; but ordinarily the price is fixed sufficiently below the ordinary market rate prevailing, not only to secure the money-lender against any loss, but also to give him a very handsome profit over the transaction.

887. We found also in many parts of Berar that the adatyas or brokers who sell cotton on behalf of the cultivator frequently make advances to their clients while the crop is standing before harvest. We made careful enquiries in many villages, but did not find that this system resulted in any noticeable abuses, and although the loan resulted in the crop being sold through the broker who had advanced money as a matter of custom, there was no legal obligation to do so.

888. Although individual cases undoubtedly do exist where short-term loans advanced under such conditions have resulted in the borrower not obtaining the full market value at the time of disposal of his produce, such instances in the province as a whole we have found to be relatively rare, and in fact, no person who came before us either in our village enquiries or elsewhere, had any evidence to put forward to establish the existence of any abuses of this kind on a wide scale.

889. Our proposals for controlling the activities of unscrupulous money-lenders by licenses, by an insistence on the maintenance of accounts and other regulations, appear to be not strictly relevant to the question of providing credit facilities, and can be more suitably discussed in Chapter XII. There is no doubt that a certain amount of sharp practice and dishonesty exists in the business of money-lending as in all other branches of life; but our enquiries show an increasing capacity on the part of the cultivator to protect his own interests.

890. **Adequacy of credit facilities for short and intermediate loans.**—In conclusion, it appears to us that no very radical changes are required for improving the credit facilities for short-term and intermediate-term loans. On the one hand, there is scope for the gradual extension of the activities of the co-operative credit movement in financing these operations, while on the other hand, the business of seasonal advances, etc., is one for which the indigenous money-lender and landlord are eminently suited, owing to their close connection with, and their personal knowledge of the requirements and individual character of, their clients. It is true that the rates of interest charged by indigenous money-lenders and malguzars and also in a lesser degree by the co-operative credit banks, are often higher than the business of agriculture can bear under modern conditions. And it is equally true that, when crop calamities occur, these seasonal advances may swell into large sums. But we feel that the most urgent need of agricultural finance is the provision of better credit facilities for

long-term loans and investment facilities, rather than any attempt at radical changes in the short-term and intermediate-term loan facilities.

891. Need for facilities to liquidate old debts.—We feel very strongly that the existence of facilities for liquidation of debts, when they assume serious proportions, by long-term loans at a low rates of interest, would not only act as a safety value against the individual agriculturists becoming hopelessly indebted, but would of itself react upon the money market so as to reduce the general rates of interest charged on the short-term loans themselves. We therefore do not recommend any serious changes in the existing financial arrangements for these short-term loans, except with regard to the part played by Government in these operations with which we deal in the following chapter.

III

Co-ordination of credit agencies.

892. Co-ordination of credit agencies.—Under existing financial arrangements, the Imperial Bank of India performs the functions of an Apex Bank. Although it gives cash credit and certain financial facilities to the big shroffs and indigenous bankers, it does not advance loans for a longer period than six months, though it may grant renewals in special cases. Under the Act of Constitution, it is prohibited from granting advances for a longer period or from making advances on the security of land.

893. We do not feel ourselves to be in a position to state whether it would be possible for the Imperial Bank of India to divert a material portion of its resources to longer term business, but we realize very clearly that it would be contrary to the first principles of sound banking practice for a commercial bank, the majority of whose resources are required to be fluid, to lock up any large portion of its funds in long-term business.

894. Although the Imperial Bank of India and the joint stock banks by the cash credits and advances which they give for short periods to shroffs and indigenous bankers may be said thereby indirectly to assist to some measure in the financing of agriculture, we doubt whether it would ever be possible in India for a commercial bank to take any large part in agricultural finance. It is at any rate certain that loans for longer periods and greater latitude of recovery are required in agriculture in India than it would ordinarily be possible for a commercial bank to allow. This appears to be the main obstacle to the co-ordination of the agricultural credit agencies with the big commercial banks.

895. Difficulty of linking indigenous bankers with joint stock banks.—We have put forward many proposals for co-ordination to the indigenous bankers and big money-lenders; but in nearly every case the objection raised by them has been that the short period of loans and the rigidity of recovery would make it impossible for them to link their business with the Imperial Bank. There are very few in fact who are prepared to take the risk of

PART II.

CHAPTER VI—LONG-TERM LOANS.

I

LAND IMPROVEMENT.

902. Various items of permanent improvement to land.—The most common forms of land improvement in the Central Provinces and Berar are the embankment of land for wheat cultivation, the excision of new land for cultivation from forest, or the breaking up of new land from the waste the construction of rice dolies for the cultivation of rice, the embankment of water courses, etc., to prevent erosion, and the construction of wells for irrigation and intensive cultivation of garden lands. In addition, a certain amount is expended upon improved machinery, such as steam tackle for ploughing, pumps for irrigation, etc., etc. But at present such expenditure is extremely rare.

903. Credit facilities actually existing.—No special credit facilities exist for financing improvements in land beyond the relatively small allotments made by Government for distribution annually under the Land Improvement Loans Act. As is already explained, the amount allotted in normal years for this purpose is relatively insignificant, often amounting only to a few thousand rupees for a whole district, while substantial allotments are usually confined to those areas where scarcity conditions have arisen owing to serious crop failures. In these areas big landlords and cultivators are encouraged to take advances for field embankments, etc., in order to provide labour to those in need of employment. There does not, however, appear to be any very keen demand for Land Improvement Loans at present. We have been informed that with greater publicity there would be a great increase in demand.

904. In Berar cultivation is already well developed, and further improvement must mainly be on the lines of more scientific and more intensive cultivation with proper manuring. The receding water table is a problem of first rate importance in Berar.

905. In the Central Provinces, as has already been explained, only a very small portion of land held in tenancy right is transferable or mortgageable; and under these conditions it cannot be expected either that large sums will be spent upon improvement by the occupants, or that they will be able to obtain advances of substantial sums at low rates of interest from ordinary money-lenders. We feel, therefore, that little material improvement to the lands of occupancy tenants involving any substantial expenditure can be hoped for until rights of transfer are granted to this class.

906. Part played by different banks, bankers, money-lenders and landlords.—In Chapter IV, the statement in paragraph 738 shows the total amount of loans still outstanding incurred for purposes of land improvement. As usual, all but a small percentage of these loans have been advanced by the indigenous mahajans and the malguzars. It is not necessary to stress again here the fact that joint stock banks do not directly advance agricultural loans.

907. Land improvement is among the purposes for which advances are made by the co-operative credit banks. But in this province the resources of Central Banks consist almost entirely of deposits, most of which are on very short-terms, the longest term deposits being for five years. The advancing of substantial loans for land improvement repayable over a long period of years cannot therefore properly come within the scope of the co-operative movement as at present financed.

908. The rate of interest charged on loans and other conditions.—The rate of interest charged under the Land Improvement Loans Act by Government is 6¼ per cent. The co-operative credit banks normally charge from their members 12 per cent; although in those societies which have obtained the advantages of the reserve fund scheme, the interest has been slightly reduced.

909. Advances for land improvement made by malguzars and mahajans are, as already explained, usually made only to those who have the right of transfer in their land and these loans are usually taken only by the (1) cultivators of Berar, (2) a few big tenants in the Central Provinces or (3) by the landlords. Unless the borrower is a big man with substantial credit and the amount of loan taken is relatively small in proportion to his assets, these advances are normally secured by mortgage. The ordinary rate of interest charged by money-lenders in Berar will be between 12 and 18 per cent, varying round about 15 per cent, while in the Central Provinces the charges for secured loans vary between 9 and 12 per cent. A few big men of substantial credit can also obtain advances without collateral security at 12 or 15 per cent.

910. Conditions of loans.—Although the actual financial requirements of cultivators fall naturally into three separate classes—(1) short-term loans, (2) intermediate-loans and (3) long-term loans, indigenous agricultural finance does not actually make any clear distinction between these classes in its methods of business.

911. Loans in the first instance are rarely given for long periods, the usual maximum period of repayment being three years, although in some rare cases advances are given for repayment in instalments over a period of six to eight years. In the same way the co-operative credit banks (although during the period of slack recovery further extensions of time were very often given), do not make advances repayable over longer periods than six years.

912. It is true that the Land Improvement Loans Act provides for longer periods, and it is laid down in the instructions that in fixing the period of repayment, regard should be had to the character of the improvement, though 20 years should ordinarily be considered the maximum period. In actual practice, however, the period fixed for repayment of an advance under the Land Improvement Loans Act rarely exceeds five or six years. That is to say, as has already been explained elsewhere, that in actual practice no proper credit facilities at present exist for long-term loans within the strict sense of the term as understood in other countries.

II

CREDIT FACILITIES REQUIRED.

913. **Credit facilities required.**—Although it is said that there is no very keen demand at present for advances on a large scale for land improvement, it would be correct to say that this state of affairs is more or less inevitable when no adequate credit facilities for long-term advances at a low rate of interest exist.

914. The need for improvement of land and in the methods of cultivation is undoubted. The main requirement of agriculture in the Central Provinces is an increased protection against the vagaries of the monsoon, and this can only be provided by irrigation facilities.

915. As has been explained elsewhere, the system of field embankment both for rabi crops, where it is practised in the wheat zone, and for rice does much to increase security. The additional lines of advance are by large irrigation works and by irrigation from smaller tanks and from wells for intensive cultivation. The construction of large irrigation works must be relegated for the immediate future to state agency; but irrigation from wells for intensive cultivation can be carried out by individuals. There is a wide scope for extending well irrigation and every possible facility and encouragement should be given to agriculturists in this direction.

916. It will be clear from the previous chapters of this report that in this province the pressure of population upon the land has not yet reached a stage when intensive cultivation becomes a necessity. Under present conditions an average cultivator finds that he can obtain from his holding sufficient outturn to support him in ordinary years with his present extensive and rather primitive methods of cultivation; and until the stage is reached, when the pressure of population makes intensive cultivation inevitable, it would be overoptimistic to expect the ordinary cultivator to adopt spontaneously more intensive methods. Much, however, could be done by careful propaganda and the provision of adequate credit facilities.

917. **Long-term loans for discharging prior debts.**—A far more urgent economic need, however, is the provision of proper credit facilities for the amortization of accumulated debts. We

have already explained elsewhere that the main causes of indebtedness in the strict sense of the term are—

(1) the great variations in crop outturn;
(2) the absence of the habit of investment and the lack of investment facilities;
(3) the high rates of interest prevalent under present conditions; and
(4) the absence of an agency for providing long-term loans at low rates of interest for the amortization of those debts which, under present conditions, must inevitably rapidly accumulate whenever a succession of bad years intervene.

918. This brings us immediately to the question of a land mortgage bank. In the Central Provinces and Berar no land mortgage banks or other agricultural credit banks, excepting the ordinary co-operative credit banks, exist, and therefore this province has no experience of the working of land mortgage banks.

III

Land mortgage bank.

919. Need of a provincial land mortgage bank.—We feel, however, as we have already explained, that the absence of a land mortgage bank is the main defect in the present system of agricultural finance, and that the establishment of a provincial land mortgage bank upon proper lines would do more than anything else to remove the principal evils at present existing in rural finance, and to develop upon proper lines our agricultural credit agencies to meet the financial requirements of agriculture.

920. Evils arising from absence of an agency for long-term loans.—The main evils which arise under existing conditions from the absence of any proper long-term loans agency are as follows:—

(1) The ordinary seasonal and intermediate loans, which are, as a matter of fact, usually repaid in normal times, are always liable to accumulate to unmanageable sums if and when bad years intervene.
(2) The locking up of considerable sums of capital in these accumulated debts produces a shortage of money with the indigenous sowkar at a time when resources are needed for financing further requirements.
(3) The probability of ordinary debts falling into arrears and accumulating at any time if bad years intervene, increases the risks in advancing agricultural loans in the absence of any agency for discharging accumulated debts. This risk in itself is one of the causes of the relatively high rates of interest charged.

921. In previous chapters of this report, we have endeavoured to exhibit the great variations in income from agriculture from year to year, and the relatively small paying capacity of the agriculturist in consequence. Taking for example the

average holding in this province of the average family of five persons with some 21 acres of land, of which some 16½ would normally be under crop, we have shown that the ordinary surplus after meeting the bare necessities of maintenance, cost of cultivation and rent would not in a normal year exceed Rs. 99, *plus* whatever subsidiary income can also be earned.

922. In fixing the instalments for repayment of loans the average paying capacity over a number of years has to be carefully considered. It is clear that the value of the average holding might easily approximate to a thousand rupees, and in ordinary circumstances it might be assumed that this holding would provide adequate security for a loan of half that amount, *i.e.*, Rs. 500. The interest charged at the normal rate of 12 per cent by co-operative credit societies on this amount would come to Rs. 60; and if this debt were to be repaid with interest within a period of eight years, the annual instalments for repayment would not be less than Rs. 100. It is obviously improbable that such repayments could be annually made unless a series of good years intervened.

923. We have taken for the purpose of example the case of the co-operative credit bank, but the rate of interest charged by sowkars is often higher, particularly in the cotton zone where there is now a substantial accumulation of old debt and where the rate of interest is often 15 or 18 per cent.

924. The facilities required are a longer period for repayment and a lower rate of interest. If it is possible to provide through the establishment of a provincial land mortgage bank proper facilities for the amortization of substantial debts at a low rate of interest, the result will be as follows:—

(1) It will become possible for many cultivators, whose debts have now swelled to a sum beyond their capacity for payment at the present rate of interest and under present conditions, to discharge these debts.

(2) Large sums of capital of indigenous money-lenders at present locked up in these debts, will be returned to them for financing other short-term requirements.

(3) A permanent safety valve against the undue accumulation of indebtedness in future will be provided.

This of itself will reduce the present risks which the money-lender has to face in making ordinary advances, and will therefore also operate to reduce the rates of interest at present charged for seasonal and intermediate loans, while the fact that the cultivator will be able to obtain long-term loans at a lower rate of interest when required, would also operate towards a general reduction in the rates of interest on agricultural loans. That is to say, the establishment of a provincial land mortgage bank will operate to reduce the rates of interest on agricultural loans in general, and will also prevent the accumulation of indebtedness in future.

925. Our scheme for a land mortgage bank also provides for developing the habit of thrift by means of a Provident Fund, as is explained hereafter.

have already explained elsewhere that the main causes of indebtedness in the strict sense of the term are—

(1) the great variations in crop outturn;
(2) the absence of the habit of investment and the lack of investment facilities;
(3) the high rates of interest prevalent under present conditions; and
(4) the absence of an agency for providing long-term loans at low rates of interest for the amortization of those debts which, under present conditions, must inevitably rapidly accumulate whenever a succession of bad years intervene.

918. This brings us immediately to the question of a land mortgage bank. In the Central Provinces and Berar no land mortgage banks or other agricultural credit banks, excepting the ordinary co-operative credit banks, exist, and therefore this province has no experience of the working of land mortgage banks.

III

LAND MORTGAGE BANK.

919. Need of a provincial land mortgage bank.—We feel, however, as we have already explained, that the absence of a land mortgage bank is the main defect in the present system of agricultural finance, and that the establishment of a provincial land mortgage bank upon proper lines would do more than anything else to remove the principal evils at present existing in rural finance, and to develop upon proper lines our agricultural credit agencies to meet the financial requirements of agriculture.

920. Evils arising from absence of an agency for long-term loans.—The main evils which arise under existing conditions from the absence of any proper long-term loans agency are as follows:—

(1) The ordinary seasonal and intermediate loans, which are, as a matter of fact, usually repaid in normal times, are always liable to accumulate to unmanageable sums if and when bad years intervene.
(2) The locking up of considerable sums of capital in these accumulated debts produces a shortage of money with the indigenous sowkar at a time when resources are needed for financing further requirements.
(3) The probability of ordinary debts falling into arrears and accumulating at any time if bad years intervene, increases the risks in advancing agricultural loans in the absence of any agency for discharging accumulated debts. This risk in itself is one of the causes of the relatively high rates of interest charged.

921. In previous chapters of this report, we have endeavoured to exhibit the great variations in income from agriculture from year to year, and the relatively small paying capacity of the agriculturist in consequence. Taking for example the

average holding in this province of the average family of five persons with some 21 acres of land, of which some 16½ would normally be under crop, we have shown that the ordinary surplus after meeting the bare necessities of maintenance, cost of cultivation and rent would not in a normal year exceed Rs. 99, *plus* whatever subsidiary income can also be earned.

922. In fixing the instalments for repayment of loans the average paying capacity over a number of years has to be carefully considered. It is clear that the value of the average holding might easily approximate to a thousand rupees, and in ordinary circumstances it might be assumed that this holding would provide adequate security for a loan of half that amount, *i.e.*, Rs. 500. The interest charged at the normal rate of 12 per cent by co-operative credit societies on this amount would come to Rs. 60; and if this debt were to be repaid with interest within a period of eight years, the annual instalments for repayment would not be less than Rs. 100. It is obviously improbable that such repayments could be annually made unless a series of good years intervened.

923. We have taken for the purpose of example the case of the co-operative credit bank, but the rate of interest charged by sowkars is often higher, particularly in the cotton zone where there is now a substantial accumulation of old debt and where the rate of interest is often 15 or 18 per cent.

924. The facilities required are a longer period for repayment and a lower rate of interest. If it is possible to provide through the establishment of a provincial land mortgage bank proper facilities for the amortization of substantial debts at a low rate of interest, the result will be as follows:—

(1) It will become possible for many cultivators, whose debts have now swelled to a sum beyond their capacity for payment at the present rate of interest and under present conditions, to discharge these debts.

(2) Large sums of capital of indigenous money-lenders at present locked up in these debts, will be returned to them for financing other short-term requirements.

(3) A permanent safety valve against the undue accumulation of indebtedness in future will be provided.

This of itself will reduce the present risks which the money-lender has to face in making ordinary advances, and will therefore also operate to reduce the rates of interest at present charged for seasonal and intermediate loans, while the fact that the cultivator will be able to obtain long-term loans at a lower rate of interest when required, would also operate towards a general reduction in the rates of interest on agricultural loans. That is to say, the establishment of a provincial land mortgage bank will operate to reduce the rates of interest on agricultural loans in general, and will also prevent the accumulation of indebtedness in future.

925. Our scheme for a land mortgage bank also provides for developing the habit of thrift by means of a Provident Fund, as is explained hereafter.

926. We have given very careful and anxious consideration to the form of land mortgage bank most suited to the requirements of this province.

927. A special Committee was appointed some little while ago on behalf of the Co-operative Department for examining the possibility of establishing co-operative land mortgage banks in Berar, and they have recommended the establishment of small land mortgage banks at Morsi and Mehkar as an experimental measure. This Committee, in making recommendations, had only immediate local requirements in view. It is fortunate that some of the more distinguished members of that Committee are also at present among our own number, and we have been able to give further consideration to the question from the larger viewpoint of the requirements of the province as a whole.

928. **Reason why the land mortgage bank should be Provincial.**—We agree that the land mortgage operations may possibly in the first instance be confined to certain areas where there appears to be a greater prospect of their success. But we are of the united opinion that the land mortgage bank when established should be a provincial institution, operating through branches at whatever centres it may be found necessary and desirable to commence work. A reference to the evidence volume will show that every witness whom we examined, both official and non-official, has admitted the need for a land mortgage bank and is of the opinion that it should be on a provincial basis. However, if there is likely to be any delay in implementing our present proposals, we do not desire to convey the impression that we object to the establishment in the meantime of the local land mortgage banks proposed by the Land Mortgage Bank Committee, as an experiment, referred to above.

929. A former Chancellor of the Exchequer, the Right Hon'ble Mr. McKenna, the Chairman of the Midland Bank, on a recent occasion, when discussing the history of Banking in England, explained the "serious elements of weakness" in the "scattered, incohesive system" of numerous small banks of the last century, and after demonstrating the frailty of a system of innumerable small banks, declared that whatever may still be said for the local bank, its admirers are forced to admit that the era of large institutions with widely diversified interests has brought permanent stability in the banking structure.

930. Sir Josiah Stamp, G.B.E., one of the most eminent living financial authorities, has also pointed out that a large institution can afford to secure the very best "ability and maintain a steady financial course through times of great change and difficulty, and, by reason of the widespread of its borrowers, secure a stability of risk, because not only is there a spread among the class of people, but in the areas of the country, so that there is no undue dependence upon the prosperity of any particular tract."

931. We are agreed that there should be one provincial land mortgage bank for the province of the Central Provinces and Berar to obtain the necessary co-ordination in work, policy, and

machinery. Quite apart from any other considerations, a number of small land banks could not inspire the same amount of confidence as one Provincial Bank. It is essential for the successful working of a land mortgage bank that its working capital should be obtained as cheaply as possible, and to obtain working capital at the lowest possible market rate, it is necessary that the land mortgage bank should be a provincial institution under first class management and with a Government guarantee, as is explained hereafter.

932. Incorporation.—The bank should be established under a special Act of the provincial Legislature providing for the re-examination of the Act after a period of 30 years in the light of the actual experience gained in the interim.

933. Functions of the bank.—The main functions of the land mortgage bank should be to supply long-term credit and for this purpose to do all kinds of financial operations necessary or incidental thereto which may be classified under three main heads :—

(1) To borrow money.
(2) To lend money.
(3) To manage or dispose of the security for loans.

934. In the initial stages, provision of credit should be confined to the cultivating community, and later, if experience warrants such action, operations may extend to the granting or underwriting of loans to public bodies, like municipalities and district councils, on the lines followed by land mortgage banks in some other countries.

935. The land bank should not lock up capital in the purchase of landed property, except for the purpose of providing office premises, etc. Where it is compelled to buy in landed property held as a security for loans owing to the absence of other buyers at reasonable prices, it should proceed to dispose of this property at the earliest opportunity.

936. The bank, however, should be allowed to engage in the sale and purchase of negotiable securities, particularly of its own debentures, both on its own account and on the account of its customers and the public.

937. Loans advanced by the bank.—The land mortgage bank should make long-term loans for any of the following purposes :—

(1) Repayment of previous debts.
(2) Improvement of a permanent nature in and reclamation of land.
(3) Purchase of land.
(4) For construction of works which would increase productivity of land, *e.g.*, construction of wells, tanks etc.

938. The land mortgage bank should see that the funds advanced by it are utilized for the purposes for which they are sanctioned.

939. It will also be desirable that, wherever possible, payments should be made by the bank direct on behalf of the borrower and not through the borrower himself, particularly in the case of loans for the liquidation of prior debts.

940. In the beginning, until the working capital of the bank has considerably expanded, it might also be desirable to confine operations to advances for liquidation of prior debts.

941. It has been suggested to us that the land mortgage bank should also advance loans for social ceremonies, etc., etc., as this expenditure is more or less inevitable. The Baroda Land Mortgage Bank Committee favoured this proposal. We have carefully considered the proposal. We agree that agriculturists will none the less continue to take loans for social ceremonies, etc. But the main function of a land mortgage bank is to advance long-term loans repayable over a considerable period. Loans for marriages, etc., on the other hand, will ordinarily fall into the category of intermediate loans. It is not necessary even under existing custom for a cultivator to expend upon a ceremony of this kind a larger sum than he could repay in four or five years given normal harvests. If owing to unfavourable harvests a debt of this kind cannot be repaid and begins to accumulate, a case may then arise for amortization by the land mortgage bank. But there could be no justification for encouraging in the first instance, by a loan from the land mortgage bank, expenditure on a social ceremony of a sum equivalent to the capitalized value of a cultivator's paying capacity over a long period of years.

942. We therefore are not in favour of the granting of loans by the land mortgage bank for ceremonial purposes.

943. Security of loans.—The loans should be secured by the mortgage of property. This is at present possible in the case of malguzars, malik-makbuzas and absolute-occupancy tenants in the Central Provinces and of plot-holders in Berar. To the occupancy tenants and ryotwari village ryots in the Central Provinces, it will be necessary at least to extend the right of mortgaging their holdings to the land mortgage bank. This can be done either by separate Acts amending the Central Provinces Tenancy Act and the Land Revenue Act or by an express section in the Bank's Constitution Act. Occupancy and ryotwari land thus mortgaged should be saleable in satisfaction of the mortgage debt like land ordinarily transferable, but the malguzar should have a right of pre-emption in the case of occupancy land. We have, however, separately recommended legislation to enable the occupancy tenant and Government ryot to obtain full rights of transfer in his land.

944. Only first mortgages should be accepted. If the property is already encumbered, no loan should be made by the land mortgage bank unless all previous encumbrances are paid off therefrom.

945. Amount of loan.—The first consideration in the advancing of loans by the bank must be the annual paying capacity of the borrower. One of the principal mistakes made in the past by co-operative credit societies, etc., has been to base the limit of

credit rather on a consideration of assets than on the real annual paying capacity of the borrower. Individual paying capacity will depend partly upon average net income, but also upon personal habits.

946. An enquiry into the past history of the borrower is essential, *e.g.*, if a loan is required to pay off old debts which have been incurred through the personal extravagance of the debtor, the bank will be less inclined to sanction it.

947. The bank's valuer will of course make a valuation of the applicant's mortgageable assets and it might be desirable to lay down that no advance exceeding 50 per cent or at the most 60 per cent of that valuation should be made. But the maximum limit of the loan should be determined by the capitalized value over a term of, say, 45 years of the annual paying capacity of the applicant.

948. The applicant will be required to prepare a budget showing his normal gross income and expenditure upon cultivation and maintenance, and the normal amount above this which will be available for annual repayments to the bank. This will be checked by the bank's valuer, *e.g.*, 200 acres of land may be valued by the bank at Rs. 3,000. The limit of loan permissible under any circumstances would be, say, Rs. 1,500. On the other hand, the capitalized value of the annual paying capacity of the borrower as determined by the bank may not be more than Rs. 1,400. The limit of loan, which can be taken by the borrower, will then be Rs. 1,400.

949. Repayments.—Repayments should be by equal annual or six-monthly instalments or annuities.

950. It is essential that the payment of these annuities should be prompt and regular. We recommend that suspension of recovery, or time for payments, should never be allowed except in those years in which Government allows suspension or remission of the rent and revenue in the village concerned.

951. In determining the amount of annual instalment to be paid, due allowance must be made for the variations in crop outturn and a safe figure well below the ordinary surplus in a normal year, which has been discussed in Chapter II, must be taken. We must not repeat the mistake of fixing instalments which can only be paid in good years, otherwise in practice it will be found to be impossible to make recoveries in years of poor harvests. The fixing of the instalment at a relatively low figure would necessitate a very long period for repayment of the mortgage debt by these instalments alone, while these instalments will represent only a very small part of the surpluses in years of good harvest. None the less, it is essential to fix the instalments at a low figure in order to ensure regular and prompt payments.

952. Provident Fund.—We, however, suggest in addition the following scheme. In addition to the annual instalments on the mortgage debt, the borrower should be required to contribute annually a fixed sum to a provident fund.

The instalment to be paid to the provident fund should be fixed having regard to—

(1) the ordinary surplus in a normal year, and

(2) the instalment fixed for payment to the mortgage debt.

The instalment on the mortgage debt and the contribution to the provident fund might well together total the amount of surplus income in a normal year.

953. Recovery.—Recovery of the mortgage debt instalment must be rigid, but recovery of the provident fund contribution may be more elastic, and the mortgage bank may grant suspension of the latter in years of poor harvest.

954. We have considered the question as to whether contributions to the provident fund in years of poor harvest should be suspended only or altogether remitted. In years of good harvest it is most necessary in the interests of the borrower to secure the investment of as large a proportion as possible of the substantial surpluses which undoubtedly do occur, and it is in those years that suspended contributions to the provident fund can with advantage be recovered. We are therefore agreed, that though contributions may be suspended, they should not be remitted.

955. The provident fund should bear interest at a rate if not equal to, at least closely approximating to, the rate of interest charged to the borrower on the loan, as the provident fund should not be a source of profit to the land mortgage bank.

956. The borrower should be allowed to take temporary advances from the provident fund for legitimate purposes in the same manner as Government servants are at present entitled to take advances from their provident fund, but the advances taken will similarly be repayable at an early date, *e.g.*, in years of poor harvest the borrower might be allowed to take an advance from the provident fund to help him in paying an instalment due on the mortgage debt, etc., etc.

957. When the provident fund reaches a certain amount, there should be a provision that if the borrower so desires, future contributions may be appropriated to the liquidation of the mortgage debt, while when the amount of the provident fund equals the amount of outstanding debt, it may be applied to the discharge of the debt.

958. We realize that there may be some difficulties in implementing these proposals which we think are new of their kind, but we believe such difficulties can be surmounted and that these proposals are on the right lines. It would not be possible for us in the time and space at our disposal to work them out in greater detail. We recommend that for this purpose a small Committee be immediately appointed, if our general proposals are approved. If our recommendations in Chapter XV for the creation of a Development Board be accepted, the Board might well perform this duty.

959. By the above scheme it will be practically possible to enforce the regular payment of a fixed though moderate instalment on the mortgage debt every year. At the same time,

although a long period of years would undoubtedly be required for the repayment of the mortgage debt by these instalments alone, the simultaneous but less rigid recoveries to the provident fund will build up a reserve for the liquidation of the mortgage debt in a much shorter period. For instance, at 6½ per cent interest a mortgage debt of Rs. 1,000 would not be discharged in less than some 45 years by annual annuities of Rs. 70. But if in addition the borrower is required to contribute Rs. 35 annually to his provident fund, the whole debt could be liquidated in some 15 years, if the provident fund bore, say, 5½ per cent interest.

960. We feel that the mere provision of credit facilities for long-term loans without simultaneous facilities for investment and for the development of the thrift habit, would not produce those reforms in the existing rural financial system which are essential to the economic development of the country-side upon modern lines. We believe, however, that the scheme which we now propose will meet the needs of the case.

961. We realize that there may be some difficulty in securing prompt payment to the provident fund, and we suggest that it may be found necessary to make a provision allowing the land mortgage bank to appropriate all payments made in the first instance to payment of dues to the provident fund and to foreclose on the mortgage in case of the mortgage debt falling into arrears through applying this provision. In actual practice, we do not anticipate that the land mortgage bank would go so far as to foreclose on the mortgage owing to default in payment to the provident fund; but it appears to us that it may be necessary to grant some powers of this kind to the land mortgage bank in order to secure prompt payment of contributions to the provident fund. The payment of the annual contributions to the provident fund would of course be one of the conditions of the mortgage loan duly entered in the mortgage bond.

962. Constitution of the bank.—We proceed to make some suggestions with regard to the general constitution of the bank.

963. Capital.—The bank should have an initial paid up capital of, say, Rs. 20 lakhs. Capital and guarantee serve ultimately the same purpose, so far as the creditors are concerned, viz., to provide ultimate security against loss; but inasmuch as capital represents money actually contributed before the commencement of or during the course of business and as such is more visible in form and more tangible, while a guarantee falls in the second line of reserve, it is advisable that the bank should have some substantial capital. This capital will form the initial resources with which business will commence. The initial capital of Rs. 20 lakhs of the bank should be divided into 40,000 shares of Rs. 50 each. We suggest a unit of Rs. 50 so as to enable small men to take shares. These shares should be designated as "A" shares. The "A" shares should be offered for subscription to the public, banks, co-operative societies, etc. The Imperial Bank and the Allahabad Bank, the provincial co-operative bank,

The instalment to be paid to the provident fund should be fixed having regard to—

(1) the ordinary surplus in a normal year, and

(2) the instalment fixed for payment to the mortgage debt.

The instalment on the mortgage debt and the contribution to the provident fund might well together total the amount of surplus income in a normal year.

953. Recovery.—Recovery of the mortgage debt instalment must be rigid, but recovery of the provident fund contribution may be more elastic, and the mortgage bank may grant suspension of the latter in years of poor harvest.

954. We have considered the question as to whether contributions to the provident fund in years of poor harvest should be suspended only or altogether remitted. In years of good harvest it is most necessary in the interests of the borrower to secure the investment of as large a proportion as possible of the substantial surpluses which undoubtedly do occur, and it is in those years that suspended contributions to the provident fund can with advantage be recovered. We are therefore agreed, that though contributions may be suspended, they should not be remitted,

955. The provident fund should bear interest at a rate if not equal to, at least closely approximating to, the rate of interest charged to the borrower on the loan, as the provident fund should not be a source of profit to the land mortgage bank.

956. The borrower should be allowed to take temporary advances from the provident fund for legitimate purposes in the same manner as Government servants are at present entitled to take advances from their provident fund, but the advances taken will similarly be repayable at an early date, *e.g.*, in years of poor harvest the borrower might be allowed to take an advance from the provident fund to help him in paying an instalment due on the mortgage debt, etc., etc.

957. When the provident fund reaches a certain amount, there should be a provision that if the borrower so desires, future contributions may be appropriated to the liquidation of the mortgage debt, while when the amount of the provident fund equals the amount of outstanding debt, it may be applied to the discharge of the debt.

958. We realize that there may be some difficulties in implementing these proposals which we think are new of their kind, but we believe such difficulties can be surmounted and that these proposals are on the right lines. It would not be possible for us in the time and space at our disposal to work them out in greater detail. We recommend that for this purpose a small Committee be immediately appointed, if our general proposals are approved. If our recommendations in Chapter XV for the creation of a Development Board be accepted, the Board might well perform this duty.

959. By the above scheme it will be practically possible to enforce the regular payment of a fixed though moderate instalment on the mortgage debt every year. At the same time,

although a long period of years would undoubtedly be required for the repayment of the mortgage debt by these instalments alone, the simultaneous but less rigid recoveries to the provident fund will build up a reserve for the liquidation of the mortgage debt in a much shorter period. For instance, at 6½ per cent interest a mortgage debt of Rs. 1,000 would not be discharged in less than some 45 years by annual annuities of Rs. 70. But if in addition the borrower is required to contribute Rs. 35 annually to his provident fund, the whole debt could be liquidated in some 15 years, if the provident fund bore, say, 5½ per cent interest.

960. We feel that the mere provision of credit facilities for long-term loans without simultaneous facilities for investment and for the development of the thrift habit, would not produce those reforms in the existing rural financial system which are essential to the economic development of the country-side upon modern lines. We believe, however, that the scheme which we now propose will meet the needs of the case.

961. We realize that there may be some difficulty in securing prompt payment to the provident fund, and we suggest that it may be found necessary to make a provision allowing the land mortgage bank to appropriate all payments made in the first instance to payment of dues to the provident fund and to foreclose on the mortgage in case of the mortgage debt falling into arrears through applying this provision. In actual practice, we do not anticipate that the land mortgage bank would go so far as to foreclose on the mortgage owing to default in payment to the provident fund; but it appears to us that it may be necessary to grant some powers of this kind to the land mortgage bank in order to secure prompt payment of contributions to the provident fund. The payment of the annual contributions to the provident fund would of course be one of the conditions of the mortgage loan duly entered in the mortgage bond.

962. **Constitution of the bank.**—We proceed to make some suggestions with regard to the general constitution of the bank.

963. **Capital.**—The bank should have an initial paid up capital of, say, Rs. 20 lakhs. Capital and guarantee serve ultimately the same purpose, so far as the creditors are concerned, viz., to provide ultimate security against loss; but inasmuch as capital represents money actually contributed before the commencement of or during the course of business and as such is more visible in form and more tangible, while a guarantee falls in the second line of reserve, it is advisable that the bank should have some substantial capital. This capital will form the initial resources with which business will commence. The initial capital of Rs. 20 lakhs of the bank should be divided into 40,000 shares of Rs. 50 each. We suggest a unit of Rs. 50 so as to enable small men to take shares. These shares should be designated as "A" shares. The "A" shares should be offered for subscription to the public, banks, co-operative societies, etc. The Imperial Bank and the Allahabad Bank, the provincial co-operative bank,

indigenous bankers, etc., should be encouraged to apply for an appreciable block of shares in the bank and thus actively participate in its working. If the whole capital is not taken up within two months from the opening of the subscription list, the balance should be taken up by the provincial Government. The Government may later sell the shares in the market, as and when possible, but not below par.

964. Besides the capital contributed at the commencement in the shape of "A" shares, each borrower should be required to acquire shares up to the value of 1 per cent of the amount advanced to him. These amounts will be deducted from the amount of the loan. Capital received in this manner should be distinguished from that offered in the beginning, and designated as "B" shares. The object of suggesting the latter type of capital, *viz.*, through "B" shares, is to enable the borrower to take an active and intelligent interest in the affairs of the bank.

965. A minority of our Committee, however, are not in favour of the proposals to include "B" shares at all. In any case, we feel that the percentage of the amount of individual loan borrowed, which the "B" shares should be required to represent, should not be more than 1 per cent or 2 per cent.

966. **Rights of shareholders and directors.**—In view of the fact that the holders of "A" shares are the original contributories of capital and do not receive any direct benefit, excepting dividend, they should have prior rights to the holders of "B" shares. Thus the appointment of directors, declaration of dividend and decision on other important matters at the annual meeting, should rest with the owners of "A" shares. Also, in case of liquidation, "A" shares should rank prior to "B" shares. Holders of "B" shares should, however, be permitted to attend the annual sittings, take part in discussions, but they should not be entitled to vote. We stress this point in view of certain difficulties in the management of the co-operative credit banks which have arisen from extending the right of vote to borrowing members. They should appoint an advisory Committee, as is explained hereafter.

967. **Appointment of directors.**—We suggest that a board of 11 directors appointed, as explained below, would be suitable.

(1) Four to be elected by the general body of "A" class shareholders, each voting in proportion to the number of shares held by him. Each of the directors so elected should possess shares of the face value of at least Rs. 5,000. If considered necessary, a limit may be prescribed upon the maximum number of votes which a single shareholder can possess. In such a case the limit should not be under 200 votes, which would mean that those who have contributed Rs. 10,000 or more by way of capital, would rank alike.

(2) One to be nominated by the provincial co-operative bank, if this institution owns at least Rs. 50,000 worth of shares.

(3) One to be elected by the commercial banks working in the province, each bank having one vote. In order to be able to vote, however, each bank should hold at least Rs. 10,000 worth of shares.

(4) One to be nominated by the reserve bank of the country, if that comes into being, otherwise by the Imperial Bank of India. It is suggested that the reserve bank and the Imperial Bank should subscribe at least Rs. 1,00,000 towards the capital of the land mortgage bank.

(5) One to be nominated by the Provincial Legislative Council.

(6) Two to be nominated by the Governor in Council, one of whom should be a non-official.

(7) The Development Commissioner, if and when appointed, or any other principal Government officer who is connected with land problems, should be *ex-officio* director.

968. **Chairman and term of office of directors.**—The Board should elect its own Chairman. Directors appointed under (2) and (7) should hold office for two years, but they should be eligible for re-appointment at the expiry of their term of office. Directors referred to at (1) should hold office for four years, but one of them should retire every year, and should be eligible for re-election.

969. **Advisory Committee.**—The holders of "B" shares should be allowed to elect six persons from among themselves to form an Advisory Committee. This Advisory Committee should ordinarily meet once in three months with the directors of the bank. Whenever necessary, the directors may convene a meeting of advisors earlier. The functions of this body should, as the name implies, be purely advisory. They should have the right to demand any information they want, as well as address the annual general meetings. An arrangement of this nature will educate the borrowers in financial matters, and in course of time give them sufficient knowledge and experience to take over control of the bank, if this is later found desirable.

970. **Management.**—The bank should be managed by a paid manager with full experience of banking and financial conditions. A detailed knowledge of the working of the monetary and stock markets at important centres in India and abroad and changes taking place therein will be absolutely necessary if the operations of the bank are to be successfully carried on. He should preferably be a banker. His appointment should be in the hands of the directors, but subject to confirmation by the Governor in Council. Under him there should be experienced officers who should have practical knowledge of agriculture and land problems, their management, value, marketability, legal rights, etc.

971. The bank will also be required to employ well qualified valuers and in the first instance Government might depute some approved revenue officers of experience for the purpose. These officers in due course could be withdrawn to make room for whole-time valuers, specially trained for the purpose, as soon as such men are available.

972. Agents and branches.—It is possible that, on formation, the sphere of activity of the land mortgage bank may be somewhat limited, until a substantial amount of financial resource is built up by debentures. The bank should operate through branches, the aim being eventually to open branches in all districts of the province; but its operations might commence in certain selected areas, where the needs and prospects of success are the greatest, *e.g.*, work might commence in the Mehkar and Morsi taluqs of Berar, etc., etc.

973. The question as to whether the land mortgage bank should make use of the Co-operative Credit Central Banks as agencies or branches is one upon which our opinions are not united. This question might be further considered with the leaders of the co-operative credit movement by the special Committee whose appointment we have recommended above.

974. If our proposals in Chapter XV for the creation of a Development Board be approved, it might perform these duties. The appointment of a separate Committee would then be unnecessary.

975. Period of loan.—In special cases the annuity may be at only ½ per cent above the rate of interest, and the period of repayment fixed accordingly. The borrower should, however, have the right to repay the whole amount after the loan has been in existence for five years, and also to pay instalments in advance if he desires. The period of the loan, however, should be as short as the paying capacity of the borrower makes possible. The borrower should also be entitled to apply the amount at his credit in the provident fund to liquidating the mortgage debt, as is explained above.

976. Although when the annuity is only ½ per cent above the rate of interest, the period of the loan will in theory approximate to 45 years, the application of the provident fund scheme will secure liquidation of the total amount of the debt in a much shorter period.

977. Methods of obtaining working capital.—The bank should obtain funds in any of the following manner—

(*a*) *Deposits and Savings Certificates.*—The bank may accept deposits for not less than five years. It should also issue savings certificates, payable after three, ten and fifteen years. But the total amount of such deposits and savings certificates should not exceed ten times the paid up capital and reserve.

In addition, there will be the savings account of provident fund of the mortgagors explained above. The savings certificates should be in two forms, *viz.*—

(i) to provide for payment of interest half-yearly, if desired; and

(ii) to provide for payment of interest with principal in a lump sum on maturity.

Special efforts to popularize these savings certificates by a thrift campaign are recommended in Chapter XVI.

The bank should also be at liberty to discount such deposits and certificates or make advances on their security if it has spare funds.

(*b*) *Debentures.*—The bank will also issue debentures on the security of its general assets. Such assets are of course the mortgages in its favour. Such mortgages should be assigned to a trustee on behalf of the debenture-holders. The value of outstanding debentures should not exceed, say, 20 times the paid up capital and reserve.

(*c*) *Loans.*—To supplement its resources it may take loans from banks, Government and foreign markets, on the security of its general assets.

The total of liabilities under (*a*), (*b*) and (*c*) should not, however, be more than 30 times its paid up capital and reserve.

978. Debentures.—The terms under which debentures are issued will depend upon market conditions. They should, however, be so framed as to give power to the bank to redeem them after a particular number of years, say, five or ten years before maturity. This will enable the bank to prevent any accumulation of surplus funds, earning no interest, as loans are repaid.

979. It might also be possible to co-ordinate the various provincial land banks under a board similar to the Federal Board in the United States of America. In this case debentures might be floated by this agency on behalf of a provincial bank.

980. The floating of debentures should require the previous sanction of the Local Government, who should undertake the purchase of the unsold portion, two months after issue. This will maintain public confidence, and encourage purchase by other persons.

981. Government will, of course, be at liberty to dispose of the debentures purchased by it at any time.

982. Premium bonds.—As suggested to us in the course of our enquiry, half of these debentures should be in the form of Premium Bonds, certain prizes being drawn for half-yearly. This condition should appeal particularly to the sowkar class, and will make it possible to raise funds at a lower rate of interest. We suggest 4 per cent interest on premium bonds with a distribution of 1 per cent in prizes annually by half-yearly drawings.

983. As the bonds gain in popularity, the rates may be further reduced. The remaining debentures should be in the ordinary form at the lowest market rate of interest available.

984. The proposal to issue premium bonds in India is, we believe, a new one. There is a certain school of thought which is opposed to premium bonds on the ground that they foster a spirit of gambling. Premium bonds have been adopted in many European countries. We do not feel that premium bonds foster a spirit of gambling, although they undoubtedly serve to divert a certain human instinct to beneficial purposes. We trust the Central Committee will not be deterred from endorsing our proposal for the introduction of premium bonds by the special pleadings of abstract morality advanced by a certain school of purists. We are concerned with practical needs, rather than with theoretical ideals.

985. **Government Aid.**—It will be necessary in the first few years to extend a Government guarantee for the fulfilment of the obligations of the bank to the debenture-holders, as has been done in other countries. The mortgage security will, under our proposals, always prove adequate cover for the debenture-holders and, therefore, the Government guarantee will actually involve Government in no risk. In the initial stages, however, to popularize the debentures of the land mortgage bank, a Government guarantee is, in our opinion, necessary. Without it the bank cannot hope in the beginning for a wide sale of debentures.

986. The Government guarantee should cover both principal and interest of debentures. In return for this guarantee, Government must have adequate control over the operations of the bank, and for this reason we have proposed that debentures should not be floated without Government's sanction. Government will also nominate some of the directors and be the sanctioning authority for the appointment of the manager. Government should have the power to re-examine, after every five years, the question of the continuance of the guarantee.

987. The Government should also have power to call for any information from the bank and examine and audit its accounts. The bank will of course be required to publish a half-yearly balance sheet based on the audit of a recognized firm of Chartered Accountants.

988. If, owing to serious crop failure, the payment of instalments on loans is suspended or, if for any other cause the bank is not able to pay interest to the debenture-holders, as and when contracted, and the Government is called upon to do so under the terms of their guarantee, these payments should be treated as a loan to the bank, to be repaid as soon as sufficient outstandings from the borrowers are realized, and should carry interest at 1 per cent above the bank rate.

989. An actual loss to Government, however, could only occur, if the assets of the bank proved insufficient. This could only occur after capital and reserve had been exhausted, which under the terms of our proposal, would be practically impossible.

990. Special conditions.—(1) The debentures and shares of the land mortgage bank should rank as trustee securities.

(2) The rights of occupancy tenants and of Government ryots in raiyatwari villages will be made transferable by mortgage to the land mortgage bank, which will have power to sell these rights, the malguzars having a right of pre-emption. The land mortgage bank should have a charge on standing crops and moveables, including live stock, for recovery of the instalments due from year to year.

(3) The mortgage deeds to the bank should be exempted from stamp duty and registration charges for the first five years at least, so as to popularize the bank.

(4) Provision should be made, by law, that the land mortgage bank should notify in the local press and in the Government Gazette and also post a notice in the village of the borrower and in the Civil Court, the District Court and in the local Registration office, stating that it proposes to grant a loan on the property concerned, and that any one disputing the right and title of the intending borrower to mortgage the property or having debts outstanding against him, should notify the bank within say two months; otherwise, the mortgage in favour of the bank will rank prior to all other claims on the property. Provided the bank performs this duty, its claim should be made by Law to rank prior to any claim not disclosed within two months of the notice. Provided also that it is clear that the bank has taken the ordinary care, which a prudent man would exercise, to see that the title is sound and that no prior charges exist. There should also be a clause laying down that all loans advanced by the bank shall in the case of minors and reversionaries, be held to have been made in the interests of the estate and its owners. This will be necessary to prevent disputes later on as to the necessity of the loan.

(5) The bank should have power to enter into possession of the mortgaged property on any default of payment, after 15 days' notice of its intention to do so. In the event of any resistance by the mortgagor, the nearest competent court, within whose jurisdiction the property lies, should immediately on receiving a simple application signed by a responsible officer of the bank, take steps to put the bank's representative into possession, without entering into any enquiry into the merits of the case.

(6) On a default occurring, the bank should have power to manage, sell or lease out the mortgaged property without an order of a court. This will involve special legislation amending the Transfer of Property Act and annulling the right of redemption which up to now have been held to exist with regard to all mortgages. It is possible that Government may not be prepared to go so far as this; if so, we recommend that a special court or authority be constituted for passing a final order decreeing the transfer of ownership to the land mortgage bank, by summary procedure.

(7) The accounts of the bank, both as evidence of indebtedness, as well as in respect of the management of the mortgaged property, should be accepted as correct, and certified copies thereof should be sufficient.

991. **Profits, dividend and reserve fund.**—With the exception of the special concessions referred to already, the bank should be subject to the payment of all taxes and charges which an ordinary individual or concern usually pay. The net profits of the bank should be distributed as and in the following order :—

(1) 10 per cent should be taken to reserve until it equals the paid up capital. We consider it most necessary to build up a reserve as early as possible.

(2) From the balance, 5 per cent cumulative dividend should be first paid on "A" shares and thereafter 5 per cent non-cumulative dividend on "B" shares. But no dividend should be declared under any of the following cases :—

(*a*) When any amount is due to the Government on account of payments made by them, or sums advanced by them to the bank, to meet obligations under their guarantee to the debenture-holders.

(*b*) When the value of properties purchased by the bank from borrowers on default and still remaining on its hands, equals or exceeds the amount of paid-up capital and reserves.

(*c*) When the amount of loans in respect of which default has occurred and the bank is obliged to take over properties for management, exceeds 50 per cent of its paid up capital and reserve.

These restrictions are necessary to secure management on sound business lines.

(3) The balance should be divided in equal parts, one part to go to the Government and the other to the shareholders. The Government's share should continue only as long as Government continues to undertake the liabilities mentioned above.

(4) The amount payable to the shareholders under (3) should be so distributed that the extra amount payable on "A" shares should be double that payable on "B" shares. This is suggested not only as an additional inducement to the original shareholders, whose subscriptions towards capital will be voluntary, whereas those of the borrowers will be compulsory, but also for financial reasons. The "A" shares capital will be paid in at once and will remain longer in operation, while the capital from "B" shares will come in slowly, and in many cases, after substantial reserves have been built up. The part paid by the "A" shares in earning profits will be much greater than that of "B" shares, and as such the "A" shares should be entitled to some preference in the distribution of surplus profits.

992. **Re-examination of Chapter, Liquidation, etc.**—If at the expiry of 30 years, the initial period of charter, referred to in the beginning, it appears on re-examination that sufficiently large capital has been accumulated in the shape of "B" shares, that the holders of such shares have gathered adequate knowledge and

experience of the working of the land mortgage bank, and that it is advisable either on account of overcapitalization or any other causes to repay the capital in respect of "A" shares, this may be done, but such shareholders should receive at least half the amount of the then existing reserve, in addition to the par value of their shares.

993. In case of liquidation of the bank for any cause, "A" shares should have preference over "B" shares. If after the repayment of capital to "A" and "B" shareholders any surplus remains, it should be divided in four parts, two to go to holders of "A" shares and one each to the Government and holders of "B" shares.

IV

Co-ordination of credit agencies.

994. **The Co-ordination of credit agencies.**—We have stated elsewhere that we are extremely doubtful with regard to the possibility of creating close co-ordination between the commercial joint stock banks and the indigenous agricultural credit agencies, and have also expressed the opinion that future endeavour should be directed rather to securing co-ordination between the provincial land mortgage bank when created, and the other agricultural credit agencies.

995. It may at first sight appear that our scheme for the creation of a provincial land mortgage bank is too ambitious. We have assumed throughout that in due course a Central Reserve Bank will come into being. The Imperial Bank of India at present performs the functions of an apex commercial bank: but taken as a whole, commerce in the Central Provinces is less important than agriculture which supports a very great majority of the total population.

996. We feel that just as the need for an apex commercial bank has been realized and met, a provincial land mortgage bank, eventually co-ordinated by a Central Board of Control with provincial land mortgage banks in other provinces, should be established to meet the need for an apex agricultural or land bank. We have already explained that this bank will depend mainly for its resources upon debentures and not upon short-term deposits.

997. There should be no material difficulty in co-ordinating such an institution with the other provincial agricultural financing agencies. It will not be possible in the first instance, for the provincial land mortgage bank to extend its activities to all parts of the province. In the meantime, it can do much to assist the co-operative credit movement. Many Central Banks, particularly in Berar, take mortgage deeds as collateral security, although they do not advance long-term loans in the strict sense of the term. We see no reason why the land mortgage bank should not grant advances on this paper in favour of the co-operative credit banks after its own revaluation.

998. The land mortgage bank should, of course, be careful to avoid any unnecessary competition with the co-operative credit banks, particularly by advancing small loans in areas where co-operative credit societies already exist.

999. It might also be possible in due course to merge the provincial co-operative credit bank in the provincial land bank; while some of us are also of the opinion that it may be possible for the provincial land bank to make use of the co-operative Central Banks as branches or agencies for carrying out its long-term business.

1000. Many of the Central Banks and the Provincial Bank have substantial surpluses and have no difficulty in obtaining in deposits, whatever sums they require for financing their present business. It may be found desirable to divert a portion of this surplus to the land mortgage bank by encouraging depositors to reinvest in debentures. The co-operative credit banks should confine their operations to short-term and to a certain amount of intermediate term loan business on joint and unlimited liability as heretofore, while the business of the land mortgage bank will of course be confined to long-term loans. We see no reason to anticipate any clash of interest or any rivalry or competition between these two institutions. We are, on the other hand, of the opinion that there is no reason why these two institutions should not be closely co-ordinated.

1001. It will be noted that we have not recommended that the provincial land mortgage bank should be on a co-operative basis. Our considered opinion is that it is not either necessary or practically possible to advance long-term loans on joint responsibility. We have not yet reached the stage of development in which it will be practicable, nor in any case does it appear to be desirable, to bind up a number of members of societies in joint liability extending over a period of time which in some cases may exceed a generation.

1002. An institution like a land mortgage bank, the majority of whose resources are obtained from debentures, should also have no difficulty in making advances on suitable conditions from time to time for shorter periods to rural money-lenders of good credit. The difficulties confronting an attempt at co-ordination between the indigenous bankers or money-lenders and the commercial joint-stock banks or the Imperial Bank, whose resources consist mainly of deposits on demand, to which we have alluded in Chapter III, would not arise in an attempt to co-ordinate the indigenous money-lenders and agricultural bankers with the land mortgage bank. We do not think it is necessary to discuss this question at further length. We feel that it will suffice to present our view of the case for the consideration of the Central Committee, who are better fitted than ourselves for coming to a final conclusion on this very important question.

V

Government Loans.

1003. Review of system of Government loans.—We are now required to give a review of the system of Government loans and to suggest methods for the elimination of administrative defects, if any. Paragraphs 797 and 799 exhibit the total amount of agricultural debt and the amount of taccavi loans advanced by Government under the Agriculturists' Loans Act and the Land Improvement Loans Act in each district.

1004. Scarcity conditions have prevailed in the Jubbulpore, Saugor and Damoh districts, and in a lesser degree in the Narsinghpur and Seoni districts. Out of a total of Rs. 81,08,466 taccavi outstanding, Rs. 56,95,760 are in these districts. It has been already explained that while Government considerably increased its loan operations at times of scarcity, the loans by Government in normal times cover a very insignificant fraction of agricultural requirements. This is in accordance with the declared policy of Government, which is explained as far as the Central Provinces are concerned, in Central Provinces Revenue Book Circular, III-506 and Berar Revenue Book Circulars, IV-5 and 6 and IV-6-A and 6-B, the contents of which it is unnecessary to repeat here.

1005. As regards advances under the Agriculturists' Loans Act, Government has declaredly aimed at avoiding any kind of usurpation of the functions of the money-lender, and has always confined its operations to advancing the minimum amount required in its opinion to ensure the maintenance of land under cultivation.

1006. Under the Land Improvement Loans Act, loans outside the areas of famine or scarcity have also up to now been insignificant. It is alleged that there is no keen demand for loans under this Act.

Rao Bahadur M. G. Deshpande, our member representing agriculture in the Central Provinces, has, however, desired us to stress the point that the absence of a keener demand for loans under this Act is due to lack of publicity and the failure to bring home to the general body of cultivators in the interior the facilities for obtaining loans from Government under the Act.

1007. There is no doubt wide scope for improvement of land, and of the methods of agriculture, and we feel that any propaganda carried out for encouraging the taking of loans under the Land Improvement Loans Act for productive purposes will be fully justified upon economic grounds. In implementing the forward policy of rural development which we propose elsewhere, we feel that efforts should be made to encourage every possible form of improvement of land and of the methods of cultivation, and that action should be taken to stimulate a demand for land improvement loans for productive purposes. We have already referred to the question of land improvement loans earlier in this chapter.

1008. As regards loans under the Agriculturists' Loans Act, various representations have been made to us. Mr. F. C. Turner, C.I.E., I.C.S. (witness No. 134), has in his oral evidence laid stress on the point, which is not disputed, that, owing to the fact that taccavi loans under both Acts are recoverable under the Land Revenue Act in the same manner as land revenue, Government has far better security for, and much greater facilities for recovering, any advances which it may make, than the ordinary money-lender. It is not claimed that Government makes substantial profits over its loan transactions, but we understand that recoveries are prompt and that bad debts amount to a very insignificant percentage. Under these circumstances Government has been able to advance loans at 6¼ per cent to persons from whom the ordinary money-lender charges 18 per cent to 24 per cent interest, and even more in the case of Government ryots.

1009. For this reason Mr. T. S. Dighe, M.L.C., and Naik D. D. Rajurkar, M.L.C. (witnesses Nos. 48 and 44, respectively), and others have pressed for a wholesale extension of Government's loan operations, and have suggested that Government should become the main credit agency for agriculturists. Mr. Parmanand, I.C.S., Deputy Commissioner, Yeotmal, has suggested that every recorded landholder or tenant should be entitled to take a taccavi advance whenever he liked without enquiry into the purposes for which it was required, up to a maximum of 10 times the revenue or rental assessment paid by him. Various other similar suggestions have been made for extending Government's loan operations.

The fact that cultivators will always require seasonal and intermediate loans cannot be disputed, nor can it be disputed that for the economic improvement of the agriculturist promptness in recovery of outstandings and a low rate of interest are the main requirements in financing these loans, and that these are at present found only in Government's loan operations.

1010. A referene to the statement in paragraph 628 (Chapter IV) will, however, give some idea of the scale of operations required, if Government were to attempt to finance all the loan requirements of agriculture. The annual requirements for seasonal or short-term loans in normal years alone amount, according to our estimates, to over 7 crores of rupees for the province as a whole.

In addition, there are the intermediate loan requirements for purchase of bullocks, etc., etc., which amount to a considerable sum.

1011. Whether it would ever be possible for Government to provide resources for financing taccavi operations on a scale approximating to this, appears to us extremely doubtful. The total sums involved would possibly amount to 3 or 4 times the total provincial revenues. The amount of extension of Government taccavi loan operations practically possible is not, however, a question which we are called on to decide. This is a matter with which the Finance Department of the Government of India is concerned.

But we are satisfied that if it be considered desirable to raise funds by Government loans for the purpose of extending taccavi business, it would be possible to increase slightly the present rates of interest on taccavi, to cover any extra charges which might be involved, without causing financial embarrassment to the borrowers.

1012. There remains the entirely separate question as to whether it is desirable that Government should step down into the arena of money-lending and compete with the indigenous bankers and money-lenders, who earn their living by this profession. In Chapter V we have recorded the opinion that although there is also considerable scope for the co-operative credit banks in this sphere of business, on the whole the indigenous money-lender is the person best suited to finance short-term loans requirements.

As regards the question of competition by Government, we are of the considered opinion that a wholesale extension of Government's taccavi loan operations would not be justifiable in those areas where existing credit facilities are on the whole adequate. For, it should be in any case our aim to improve and develop, and not to destroy the indigenous credit agencies.

1013. **Need for extension of Government loan operations in backward tracts and in ryotwari villages.**—But practically all the witnesses both official and non-official who have appeared before us, have stressed the point, on the principle of *Salus populi suprema lex*, that a responsibility does rest upon Government for supplementing whatever deficiencies exist in the credit facilities of those backward tracts, where the cultivator is largely at the mercy of the local money-lender, and particularly in the ryotwari villages in which the Government itself stands in the place of the landlord, and in which the Government ryots, owing to the fact that they possess no rights of transfer in their land and are liable under certain circumstances to ejectment, have no credit and are, in consequence, at present compelled to pay very high rates of interest for whatever small sums of money they are able to borrow.

1014. The point has been stressed that, when the ordinary landlord habitually advances money as required to his tenantry and when the beneficent landlord has been found to be in many cases the main pillar of economic stability in his village, it is the duty of Government, in those villages in which it has constituted itself the landlord and has withheld from its ryots the rights of transfer in the land which they occupy, itself to meet all the legitimate financial requirements of its ryots.

We have given this view our very careful consideration and are of the united opinion that the view is on the whole a correct one.

1015. Mr. F. C. Turner, C.I.E., I.C.S., was of the opinion that the best remedy was the grant of rights of transfer to occupancy tenants and to ryots, so as to improve their credit.

We have ourselves elsewhere made certain proposals with regard to the granting of rights of transfer; but we have laid

stress on the need for the exercise of great caution in those backward tracts, where the cultivators are still not in a position to protect adequately their own interests, and have proposed that the creation of facilities for the acquisition of rights of transfer in both occupancy tenancy and Government ryotwari land should be confined to those areas in which Government declares by notification, after enquiry, that the cultivators are fitted to exercise them.

As regards taccavi loans, we have here mainly in view those backward tracts in which the cultivators are not yet able adequately to protect their own interests, *i.e.*, are not yet fitted for the exercise of the rights of transfer, and it is in these tracts particularly that we feel that Government should concentrate its loan operations.

1016. The late Deputy Commissioner of Chanda, Mr. H. E. St. George McClenaghan, I.C.S., has given some interesting evidence upon this point; he has stated that, he has throughout been pressing for a more forward policy.

1017. The evidence of Captain W. G. O'Grady (witness No. 130), with regard to the ryotwari villages of the Manjrod tract of the Burhanpur tahsil of the Nimar district—a very fertile tract of land excised within the last 25 years from Government forest—is of peculiar interest. According to him, virgin forests were given out to settlers in these tracts in ryotwari right, that is to say, that although these persons were given the right of cultivating the land, they obtained thereby no collateral security upon which they could raise advances of money at low rates of interest. They were called on to incur very heavy expenditure in felling the jungle and in clearing this land for cultivation.

1018. It is alleged that no special arrangements were made by Government to finance these operations, with the result that these persons were compelled to take loans from those moneylenders who had sufficient gambling instinct to run the risk of making advances to them; but the rates of interest usually charged were ruinously high, so that in many cases the individual ryot was overburdened with debt before his holding became capable of producing a remunerative crop outturn.

1019. Captain O'Grady states that the co-operative credit bank did advance money, and that numerous credit societies were formed for the purpose. But this business was mismanaged, loans were given without adequate enquiry or supervision, and according to Captain O'Grady the co-operative credit movement has done more harm than good in this tract.

1020. It is at least probably correct to state that these backward people are not ordinarily able to understand the principles of co-operation, and although co-operative credit societies may be successful among more educated cultivators, they are not a suitable agency for financing ignorant aborigines, unless some methods of very close supervision can be devised.

1021. It has not been possible for us in the limited time at our disposal to make a full investigation into the real facts of

the case, and we therefore do not wish to imply without enquiry that Government did as a matter of fact neglect its responsibilities in this particular case.

1022. We quote this instance, however, as an example of the cases, in which it would appear to be necessary for Government to make special financial arrangements, and we would suggest that a special enquiry be now inaugurated for determining those tracts in which special taccavi assistance is required, and that a more generous policy be followed in those tracts in future.

1023. **Complaints made regarding the distribution of taccavi loans.**—We have received a number of complaints from certain witnesses with regard to the dilatory methods in the distribution of taccavi loans, and the late Deputy Commissioner of Chanda has stated that he himself found people waiting for days on end at the tahsili to receive taccavi advances from the Tahsildar. On the other hand, some witnesses who have come before us have stated that, in recent years, the methods of distribution have very much improved, and that the distributing officers now go out on tour and make prompt distribution on the spot. It appears, therefore, to us that the Local Government now has this important question well in hand and that, in the future, cases of delay and dilatoriness will not be allowed to occur.

1024. It has also been stated by some witnesses that cultivators are required to pay petty bribes to subordinate Government and village servants before they can obtain taccavi.

Some witnesses have, however, also stated that borrowers are equally required to make payments to the munims and agents of indigenous money-lenders before they can obtain advances, and this system of petty corruption, wherever it exists, does not appear to be confined to petty officials.

The policy of making prompt distribution of taccavi upon the spot appears to be the best means of minimising the opportunities for taking illegal gratification.

1025. **Whole-time taccavi officers.**—In those areas where it may be found desirable to extend materially taccavi operations, we would suggest that it might be found administratively convenient and at the same time economical to appoint a special staff of whole-time officers for taccavi distribution. It is true that they would not be employed throughout the year in the actual work of distribution; but if they perform their duties efficiently, a considerable period of time would be required for making preliminary enquiries into the real requirements of agriculturists before they came to the actual work of distribution, and they would also be entrusted with the work of seeing that loans, particularly land improvement loans, were really applied to the purposes for which they were borrowed.

1026. Some witnesses have complained that taccavi is only obtainable at certain seasons of the year, whereas the indigenous money-lenders are willing to give advances at any time and for any purpose, whenever required.

1027. We do not feel ourselves to be in a position to record a final opinion on this question. At present it is the policy of Government to delay the actual distribution of taccavi to the last moment before the money is required for the particular purpose for which it is advanced: for instance, Government holds that, if money is required for the purchase of seed, the advance should be made just before sowing time, to avoid the possibility of money being squandered on some other purpose. There is some force in this argument; but as we have already explained, we feel that the views held in certain quarters with regard to the extravagance and improvidence of the cultivators nowadays are rather exaggerated, while the granting of loans at the last minute may often result in the borrower not obtaining the best value for his money in purchasing the commodities for which the loan is advanced.

But whether it would be desirable to grant taccavi loans at any period of the year whenever applied for, we much doubt.

1028. Mr. Parmanand, I.C.S., Deputy Commissioner, Yeotmal, has suggested, as noted above, that a limit up to which taccavi advances could be granted to a particular individual having been fixed, cultivators should be entitled to take taccavi advances up to that limit at any time and for any purpose without any enquiry, whenever they desired. This appears to be a rather radical proposal.

The best course probably lies between the two extremes, *i.e.*, between Mr. Parmanand's proposal and Government's present policy. *"In medio tutissimus ibis"*.

1029. Limit of individual advances.—We come next to a consideration of the limit of individual advances and the purposes for which loans should be granted. On this subject we have received a number of representations both in the villages surveyed by us and from formal witnesses who replied to our questionnaire or gave oral evidence before us. The amount of an individual advance under the Agriculturists' Loans Act is at present by the rules ordinarily limited to five times the rent.

1030. The statement in paragraph 395 (Chapter II) exhibits the average rent-rate per acre in the various districts of the province. The provincial average approximates to Re. 1 per acre. But in many parts of the province it is far less, *e.g.*, in Chhattisgarh, where the average holdings are also small. In the light soil areas particularly liable to crop failure the rent is often not more than 6 to 8 annas per acre, and in these areas cases are quite common where the rent paid by the individual cultivator is less than Rs. 10, rents for Rs. 5 and Rs. 6 being not unusual. The total amount of taccavi for the purchase of seed and bullocks and any other purpose, which the cultivator paying Rs. 10 could obtain, is Rs. 50, while the Rs. 5 tenant would not get more than Rs. 25.

1031. Taking the average holding of 21 acres according to the provincial average, we have explained elsewhere that the annual expenses on maintenance, cultivation and rent will

approximate to Rs. 392 (*vide* Chapter II). The cultivator may take a seasonal loan from his sowkar of Rs. 150 for his cultivating expenses every year and repay it at harvest if the crop is normal. If the previous crop has been a failure, he may require more than this to carry him through to harvest.

Paying Rs. 21 rent the maximum amount of taccavi he could take even in times of scarcity would be Rs. 105, although repayment will often be fixed in instalments spread over three or four years. In the rice zone where holdings are smaller and the costs of cultivation relatively high, the limit of taccavi obtainable will be considerably less, particularly in Chhattisgarh where Rs. 7 or Rs. 8 is quite a common rent.

1032. We have stressed this point, because many of the witnesses who have come before us have stated that the present limit on the amount of individual advances of taccavi has in some cases done more harm than good. It has been argued that the total amount of taccavi advanced to the individual is ordinarily much less than the amount which he actually requires to meet his necessary expenses until the coming of the next harvest. It is stated that this results in the cultivator going to the local money-lender for the balance of his requirements, and that as a prior charge has been created upon his land by the grant of taccavi, the money-lender demands a considerably higher rate of interest than he would otherwise have done. It is argued that the total amount of interest, which the individual cultivator is compelled in consequence to pay for the total amount of money borrowed from both Government and the money-lender, is more than he would otherwise have had to pay if he had not taken any taccavi at all. Mr. F. C. Turner, C.I.E., I.C.S., Commissioner, when he appeared before us to give evidence, was of the opinion that this view was an exaggeration. He, however, stated that he had frequently come across cases in which Tahsildars, who are ordinarily employed for the distribution of taccavi, granted entirely inadequate sums sometimes of Rs. 10 and Rs. 15 only. We invite attention to his evidence.

1033. Present limit of individual advance should be raised.—We feel that with the rise in values the limit might now well be raised considerably or altogether abolished, provided the disbursing officer makes proper enquiries into the case before sanctioning an advance.

1034. Purposes for which loans should be granted.—It has also been stressed before us that the purposes for which advances are allowed are unduly limited. Many persons have urged that for loans under the Agriculturists' Loans Act there need be no enquiries into the purpose for which the money is borrowed. This is the extreme view of the case. But an example of the limitations which are at present placed on advances, is provided by the fact that, even in times of scarcity and famine, loans for "khawai" or "maintenance" are not ordinarily granted, loans being limited to the purposes of purchase of seed and sufficient bullocks to sow the land and sometimes of covering a portion of the cultivator's other cultivating expenses such as the wages of hired labour for weeding. But the latter cases are rare.

The inevitable result has been that in times of scarcity cultivators have applied to feeding charges some of the advances obtained for the ostensible purpose of purchasing bullocks, etc.

1035. Restrictions should be relaxed.—This inevitable result has led to the question whether Government is justified in giving advances to assist the cultivator in his maintenance expenses.

The first requirement of the cultivator is to obtain food for himself and his family. He may reduce his diet to the minimum; but the time comes when he must have food, and his food requirements are even more urgent than his requirements for seed and bullocks. The contention that it is essential to get the land sown and cultivated in order to provide sustenance for the cultivator in the following year, is undoubtedly correct: but cases must arise where it is even more necessary to provide the cultivator with food in the interim until the coming of the harvest.

We recommend that the present restrictions upon the purposes for which taccavi advances can be granted be relaxed. The principle should be that wherever taccavi is really required for a necessary purpose, it should be granted.

1036. Rigidity of recovery to be maintained.—Complaints have also been made to us with regard to the rigidity of recovery of taccavi, and the view has been pressed that the system of recovery should be made more elastic. Laxity in repayment is one of the principal evils in rural areas in this province and, as was pointed out by Sir Moropant Joshi, it is our duty to train the agriculturist to that greater promptitude in payment, upon which the credit of the invididual so largely depends. For this reason we would not recommend any laxity in recovery of taccavi loans. But it does appear to us that there is some scope for the exercise of wider discretion in individual cases of recovery, and that the attachment and sale of the property of individual borrowers should not be resorted to except in cases of deliberate contumacy or negligence.

1037. In fit cases suspension should be given.—We feel that provided due investigation is made into the real paying capacity of the borrower at the time of advancing the loan, the cases in which prompt recovery of the loan need operate harshly upon the borrower will be few and far between, but that in those cases where recovery would be unduly harsh in operation, suspension should not be refused.

Government no doubt has the best possible agency for making recoveries by way of attachment and sale of moveable and immoveable property. It is all the more necessary that these powers should not be misused, through the misguided zeal of any subordinate official.

1038. At the same time, however, it appears to us to be undesirable to spread the period of recovery of taccavi advances over any longer period than is absolutely necessary. As a matter of fact, the maximum amount of taccavi at present obtainable

under the Agriculturists' Loans Act is usually considerably less than the amount which the ordinary agriculturist normally takes in annual short-term loans from Banias and repays at harvest, We have explained elsewhere in this chapter the urgent need for recovering as large a portion as possible of the substantial surpluses which undoubtedly occur in the good years. In a country like India, where crop outturns vary so greatly, we consider it would be better always to budget for a good year in fixing the instalments for repayment, exercising immediately, if the season is unfavourable, the discretion for suspending recoveries, which is vested in the Commissioner and Deputy Commissioner. We are not in favour of spreading out unnecessarily the repayment of petty sums over a number of years.

If and when the limit of individual advances is raised, it may then be necessary carefully to consider the paying capacity of individual borrowers in fixing instalments.

CHAPTER VII—MARKETING.

I

DESCRIPTIVE.

1039. We have, in Chapter II, discussed in detail the cropping, and value of agricultural produce, in each district and zone of the province. Of the total agricultural produce of the province, a considerable proportion is required for the maintenance of the population, 91 per cent of whom reside in rural areas.

1040. The surplus is exported. There is a certain amount of inter-provincial railborne traffic in addition to the extra-provincial traffic, and some parts of the province supply other parts with certain commodities, for instance, a considerable amount of rice used in Berar is imported from Chhattisgarh.

1041. The principal wholesale markets are at the railhead towns, though in some tracts at long distances from railway stations, there are some important markets connected by first class roads with the railway. But the amount of agricultural produce carried to these wholesale markets for sale is practically confined to the requirements of the consumers in urban areas, and the exported surplus, which amount after all to only a small proportion of the total annual produce. We have explained in Chapter II that the total value of the gross crop outturn in an average year at normal wholesale prices amounts to Rs. 79,16,98,670 for the province as a whole.

1042. Total exports.—The total value of the agricultural produce exported from railway stations in the province in the year 1929 was—

		Rs.
Inter-provincial traffic ...	...	3,21,90,206
Extra-provincial traffic ...	...	23,05,34,364
Total	...	26,27,24,570

In the cotton zone, of course, where the most important crops are the money crops of cotton and oil seeds which are grown almost entirely for export, the proportion of agricultural produce brought to these wholesale markets is much greater than elsewhere . The value of cotton exported from Berar alone in 1929 was Rs. 7,94,90,27, though there has been a great fall in the price of cotton since then.

1043. In considering the question of marketing it would be improper to confine our enquiries to the big railhead markets.

1044. We have explained in paragraph 76 of Chapter II that most of the requirements of rural dwellers are met in rural areas, and that a considerable portion of the agricultural produce outside the cotton zone is consumed in meeting (1) Seed requirements, (2)the food requirements of the cultivators and their families, and (3) in the payment of wages for hired labour and of

ontributions to village servants, etc., etc. The ordinary culti-ator, in fact, only sells the surplus amount of produce not re-uired for local consumption in food, seed and payments of hese charges. The amount of agricultural produce which the rdinary cultivator has for sale is often not sufficient to induce im to convey it in person to the wholesale market, unless e resides in its vicinity. Under these circumstances, the retail urchasers of agricultural produce in rural areas play an import-nt part in the life of the agricultural community . In Chhattis-arh, a large number of cultivators, particularly Telis, are busy in he slack agricultural season in purchasing in this manner small arcels of grain which they convey in cart-loads for sale to the holesale markets. Our enquiries in Bilaspur and Drug show that good deal of this petty trade is also in the hands of Kachis. These itinerant traders are known as "Kochhias" or Kheparis", he term "Khep" meaning a trip or journey.

1045. Village Bania.—As we have explained in Chapter II, ultivators also often sell their produce to a local Bania in their illage or in the nearest bazar village. Some of the grain pur-hased in small parcels by these petty dealers in rural areas is gain sold in the bazars in these rural areas; while the remainder s brought to the wholesale market.

II

Cultivators' losses in marketing.

1046. Our enquiries show that the prices in rural areas are f necessity somewhat lower than those in the wholesale markets: ut the difference in prices obtained on the spot by the cultivator oes not as a rule exceed the expenses of transport and the emuneration of the petty dealer for his services. We have ndeavoured, in our intensive village surveys, to estimate the differences in prices and we have also studied the evidence avail-ble in the various settlement reports. The transport charges nust mainly depend upon the distance of the village from the ailhead, and in the cases where villages are at a long distance nd where communications are bad, the local prices are of neces-ity considerably lower, *e.g.*, in the hinterland of the Dindori ahsil of the Mandla district. In the wholesale markets, certain deductions are also made by adatyas and commission agents, as emuneration for their services, as is explained below.

1047. Alleged rapacity of the middleman.—As was pointed out by the Royal Commission on Agriculture, there is a common tendency in some quarters to suggest that every ill from which the cultivator or artisan suffers, is traceable to the existence of hordes of rapacious and unnecessary middleman, and there is an impression that the cultivator loses very greatly in the process of marketing his produce.

1048. Before proceeding to discuss the question of marketing, therefore, we desire to lay stress on the point which we have discussed in Chapter II, that the average cultivator outside the cotton zone only sells a relatively small proportion of his total

outturn. We should be on very safe ground in assuming that outside the cotton zone not more than one-third of the gross outturn is ordinarily sold by the average cultivator. That is to say that, even if the local price obtained for the one-third of his crop which he may sell, is as much as 15 per cent below the wholesale market price, he will lose only 5 per cent on the value of his total gross outturn by selling his surplus locally. This is an important point in calculating the cash value to the cultivator of his gross crop outturn.

1049. In calculating the value of the gross outturn to the cultivator in paragraph 410 we have, after estimating the value of the crops at the average prices prevailing in the wholesale markets, made deductions varying between 2½ per cent and 10 per cent for the "costs of marketing" for various districts, and have explained the reasons in the distinct notes concerned (Appendices J-I to XVII). We have made these deductions, because we desire always to be on the safe side and to avoid any risk of over-valuation in converting the amount of gross produce, which the cultivator receives, into its money equivalent.

1050. Part played by itinerant traders.—As a matter of fact, most cultivators have their own carts. In spite of this however, we find that many cultivators prefer to sell their produce in the village rather than convey it themselves to the wholesale market, that is to say, that they do not think that the small extra sum, which they will obtain by carting their produce to the wholesale market themselves, is worth the amount of time and energy wasted in the process.

1051. The Agent of the Imperial Bank, Jubbulpore, in his written reply to our questionnaire has stated that the major portion of the arrivals at the wholesale market of Kareli Ganj are brought into the market by traders who tour the villages securing stocks, while he states that in the Jubbulpore market only one-fourth of the arrivals are brought in by the rent-paying cultivators and one-eighth by the malguzars.

III

Wholesale markets.

1052. In nearly all the wholesale markets, merchants do not make their purchases direct from the persons, who bring produce for sale. In these markets, the actual work of selling the produce on behalf of the persons who bring produce for sale, is performed by a licensed dalal or adatya. The general methods followed in all wholesale markets by adatyas are similar to those of the cotton markets of Berar, although the markets outside Berar are not so well organized, and are not controlled by independent market committees established by law for the purpose.

1053. In Berar.—In Berar where cotton is the most important crop and is grown entirely for sale, a much larger percentage of actual growers bring their produce to the market. The wholesale markets of Berar are established under the Cotton and Grain

Markets Law, which has been discussed at length by the Indian Central Cotton Committee. The methods of sale are as follows.

1054. Procedure.—The carts collect early in the morning in the enclosure of the cotton market. Every cart owner has his selling agent, called the adatya. These persons take over from the cart owner the business of selling his produce. The purchasers or their agents first go round the market and examine the quality and quantity of the arrivals, and then meet the adatyas in the Committee room. The adatyas, who are experienced business men, and the purchasers, obtain telegraphic information of the rates of the different varieties of cotton prevailing in Bombay, and work out a local rate on the basis of this information. The rate eventually quoted by the bigger buyers and accepted by the adatyas is declared to be the ruling rate for the day. Nowadays, most cotton market committees also obtain telegrams from Bombay, stating the prevailing rate of cotton there and also of American futures and display this information on notice-boards for the use of the public in the market.

The adatyas then agree with individual purchasers to supply them with a certain number of carts of produce which they proceed to despatch to the compound of the cotton gins. Here the cotton is then weighed either by beam or platform scales. Certain deductions are made for certain defects when the consignment is opened out and emptied from the cart. The adatyas are, however, supposed to secure the best possible price for their clients. After weighment and fixation of price, the adatya passes to the seller, a memorandum called "Tak patti", showing the quantity of cotton and its price, on which the latter obtains the price from the adatya's shop in the town, the adatya subsequently recovering the amount from the actual purchaser.

1055. In all these wholesale markets, the dalal or adatya plays an important part in the sale and purchase of agricultural produce. A certain number of witnesses who have come before us have stated that these adatyas are in the habit of colluding with the purchasers and defrauding their clients, but no one has suggested that the losses normally occasioned by them are substantial. We return to this subject again in paragraph 1107.

1056. Usefulness of dalals.—In our intensive village surveys in Berar, we have discussed with the villagers the methods of business of these adatyas, and we were surprised to find that the villagers themselves have very few complaints to make and, on the whole, are of the opinion that the services performed by these commission agents are well worth the charges which they make. Individual cases of sharp practice and of dishonest adatyas are bound to occur : but we feel that the ordinary villager who brings his produce to the market is likely to obtain considerable advantage from the services of these professional commission agents. The ordinary villager, if he attempted to sell his produce without the assistance of the adatya, would probably obtain even less than he does, and would be very much more at the mercy of the wholesale purchaser than he is at present.

1057. The cotton market committee appointed in the markets of Berar under the Cotton and Grain Markets Law, are, on the whole, working satisfactorily, although there is still scope for improvement on the lines suggested by the Central Cotton Committee.

1058. In the Central Provinces.—In the wholesale markets of the Central Provinces, however, no such law exists, the management being in the hands of the local municipal committee or notified area committee. These Committees are empowered only to appoint sub-committees out of their own members for the management of these markets, with the result that the actual producer is not adequately represented. We discuss the lines upon which the organization of markets can be improved hereafter in paragraph 1112. We have made detailed enquiries in many of the important markets and have interviewed the leading merchants and Committee members, and we do not propose to add to the length of this report by repeating all that has been recorded with regard to the wholesale markets in the individual notes which are attached as Appendices F and G.

IV

Difficulties of Marketing.

1059. (*a*) Variety of weights and measures.—We have alluded elsewhere to the amazing differences in the local weights and measures. Not only do the measures, such as the "mani", "kuro", "khandi" and "katha" have different significances in different districts, but we have found in the course of our intensive enquiries that these measures vary in size from one village to another. For instance, as we have pointed out in the note on Berar, the khandi of juar varies from 1,540 lbs. to 1,920 lbs. In the same manner, although the standard khandi of kapas or uncleaned cotton in the wholesale market is of 28 maunds of 14 seers each, or 392 seers or 784 lbs. we have found from village to village different systems of weights and measures: in some villages, the khandi of cotton consists of 28 and in others of 20 maunds, while the maund iteself varies from 14 to 20 seers. In the Narsinghpur district again they have the "big kuro" and the "small kuro", the "brass kuro" and the "wooden kuro" all of which are of different sizes. In fact, in the course of our intensive surveys, we have sometimes had considerable difficulty in converting the local measures into their normal standard equivalent; but we have none the less been careful to do so. These variations in weights and measures from village to village and from market to market are bound to prejudice the interests of sellers and to hamper trade and commerce. In many villages, the cultivators have stated that different measures have been used for measuring the grain supplied on loan and the grain taken back in repayment, and all complications of this kind create facilities for duping the unsophisticated villager.

1060. Remedy suggested.—This problem has already been brought to the notice of Government and the Local Provincial Legislative Council have recently passed a measure called the

"Weights and Measures of Capacities Act (II of 1928)". This Act lays down the units of weights and measures, and empowers Government to secure standardization by notifying areas for the purposes of this Act. We consider this to be a most valuable piece of legislation, and trust that Government will proceed to enforce it in all parts of the province with the least possible delay. It might be possible for Government to equip all village authorities with standard weights and measures, imposing, if necessary, a small cess for the purpose. The standardization of weights and measures throughout the province will undoubtedly do much to facilitate trade and marketing.

1061. (*b*) **Communications.**—We have already briefly discussed the question of communications in Chapter II. The ordinary vehicle of transport is the country bullock cart, and fortunately this rough vehicle is capable of passing without difficulty over the ordinary fair weather village roads. The Hon'ble the Revenue and Finance Member, Sir Arthur Nelson, Kt., C.I.E., O.B.E., I.C.S., as Settlement Officer of Nimar, noted in his final report on the re-settlement of that district, that "the cultivators as a rule find little difficulty in having their produce brought to the railway, owing to the maintenance of a net work of passable tracks in the open season. Carts are plentiful and the bumps and breaks, which would cause nervous prostration to the delicately nurtured, are mere incidents in the life of the ryot".

1062. In all districts there are now a number of first class roads converging on the railheads, and there are no districts without railway stations and railhead markets, and there are now few tracts more than 20 miles distant from a first class metalled road. But some few backward tracts are more than 50 miles distant from the railway, and, as is explained in Chapter II, in some of these more backward tracts, the only possible means of transport is by means of pack bullocks. We have discussed the question of the relative degree of communications in the individual district notes, and it would serve no purpose to dilate on the subject further.

1063. More rapid development of communications is limited by a lack of funds. In recent years, the motor has become a very important means of passenger transport along most first class roads, particularly in Berar: but, up to now, the conveyance of produce by motor lorries has not been developed to any considerable extent. It is possible that many of the bridges and culverts would require strengthening before they would be able to carry a stream of heavy traffic. We understand that the Government are given close consideration to this question, and do not consider it necessary to dwell on this subject at greater length. The Financial Relations Committee, appointed by the Local Government for determining the principles upon which grants should be made in future to local bodies, is now completing its report, and we do not propose to anticipated its conclusions.

1064. Village roads to be kept in good repairs.—We trust, however, that the Government of the Central Provinces will follow the example of the Madras and Punjab Governments in earmarking substantial grants for the construction and maintenance of village roads and bazar approaches, and that the Ministry of Local Self-Government will impress on district councils the necessity for having road programmes for village roads in the same manner as programmes are maintained for inter-district and provincial roads. The bumps and breaks alluded to by Sir Arthur Nelson are largely the result of the annual damage done by rivulets and streams to the country tracks. In most parts of the province it would be a simple matter to keep these village roads in very good order, even in motorable order, provided the nala approaches and surfaces were annually repaired. The maintenance of these village roads could largely be done by the village people themselves, for here labour, which is the most important factor, can be obtained with ease, and much can be done if the responsibility for the maintenance of the village roads by corporate labour could be impressed more clearly upon the villagers.

1065. Duties of local bodies and village panchayats.—The local bodies and district councils might then confine their activities with regard to village roads to undertaking those improvements which are likely to be expensive, and the construction, where necessary, of culverts and bazar approaches. We stress elsewhere the need for an intensive campaign of uplift and economic development in rural areas, and for the rapid development of village panchayats under the Central Provinces Village Panchayat Act, and we feel that these village panchayats could do much to improve the surface roads and village communications. All efforts at self-help in this respect should be encouraged, and such financial assistance as is available and necessary, should first be given to those villages which are willing to tax themselves, either in the form of money or in the provision of labour.

1066. (c) Mixing of produce.—Another difficulty which hampers successful and easy marketing is the habit which prevails in some parts of the province of mixing superior and inferior produce, when taking it to market. This is sometimes done by design, particularly in the cotton tracts, in the hope of getting a better price: but in other cases is sometimes due to ignorance and to the mixing of seed in the seed bins, particularly in the wheat-growing tracts. The Central Cotton Committee have already dwelt on this question, and the measures adopted by them for marketing bales with factory numbers will do much to operate as a check; but the cotton market committees and members of local bodies would be doing a most valuable service to the agriculturists whose interests we feel sure they have always at heart, if they could, by persuasion and propaganda, secure produce from adulteration and mixture. There is also a wide scope for the distribution of pure seed by the Agricultural Department and for the formation of Seed Unions, as is explained elsewhere.

1067. *(d)* **Lack of storage facilities.**—Another difficulty with regard to marketing is the lack of temporary storage facilities for producers. This question has been considered by the Royal Commission on Agriculture. In the absence of any storage facilities at most markets, sellers have to dispose of their produce on the day of arrival. Much might be done to stabilize prices from day to day and to protect the cultivator from being compelled to accept an unsatisfactory price, if temporary storage facilities could be created at all wholesale markets to enable the producer to wait for a day or two before selling, and we trust that the market committees will give to this important question the attention which it deserves.

1068. *(e)* **Information in rural areas with regard to market conditions.**—A point which occurs to us with regard to the question of marketing, is the general lack of information even among literate persons in rural areas with regard to the prevailing rates and the quantities of the principal commodities marketed in the province and in the other provinces. In the course of our enquiry suggestions have been made to us that action should be taken to disseminate information in rural areas, with regard to rates and stocks and the general demand for particular commodities, to as large a number of producers as possible. If and when a separate Development Department is appointed, as is proposed by us elsewhere, we could recommend the opening of a Publicity or Information Branch of the department, one of whose main duties would be the publication and distribution in rural areas of periodical leaflets containing information with regard to rates, stocks and demand for commodities. In the meanwhile, this duty might, with advantage, be undertaken by the Director of Industries or the Department of Land Records, who might issue through the patwaris and schoolmasters to all village mukaddams, bi-weekly pamphlets explaining in simple language the prices ruling at the principal market centres of each tract, and at the ports and other places for which local products are exported, and any other information with regard to prices and marketing of use to the producer.

V

Effect of indebtedness on marketing.

1069. We have referred to this subject already in Chapters IV and V. In our intensive village surveys, we have made careful enquiries into the effects of indebtedness on marketing. We are aware that the view is commonly held in some quarters, that the cultivator loses much at the time of the sale of the crop owing to indebtedness. But our enquiries do not substantiate this view. At one time, the "Laoni" system was common, under which the cultivator obtained an advance on his standing crop, undertaking to sell it at a certain price to the creditor at harvest. This price was usually sufficiently below the market price prevailing to secure the creditor from any probable loss and to ensure to him under ordinary circumstances, a handsome profit. But everywhere we found that this system had died or was dying out.

1070. Loans by adatyas.—We have already explained elsewhere that the adatyas or commission agents in Berar occasionally make advances to cultivators when their crops are standing. We have explained, however, that although these advances normally result in the produce being sold through the adatyas concerned, the advance is not made under any legal stipulation to do so, nor have the cultivators any complaints to make with regard to this system. The system appears to have some advantages, as the adatya invariably deducts the amount due to him from the price which he pays, thereby securing promptness in repayment, which is usually not found in the business of money-lending in this province.

1071. It is true also that many malguzars and other mahajans, particularly in the wheat-growing tracts, habitually advance grain to the cultivators for seed and food requirements during the agricultural year, on the condition of repayment at 25 per cent or, in some rare cases, 50 per cent interest. We have discussed this question in Chapter XIV. This system of grain-lending, however, has no connection with marketing.

1072. Supposition that indebtedness reacts on the prices unfounded.—Before commencing our enquiries, several of us were inclined to the view that the fact of indebtedness reacted upon the prices obtainable by the cultivator for his produce. We were glad to find, however, in the course of our enquiries that this opinion was not borne out by facts.

1073. There is also a general impression that the money-lender "stands over" the cultivator and insists on immediate repayment at the coming of the harvest, and compels his debtors to dispose of their crops at any price which he may be able to obtain. This may be true in the case of the Kabulis, Rohillas and others who depend for recovery upon their *lathi* rather than upon the law. And in the past some money-lenders have undoubtedly employed professional *goondas* to frighten the cultivators into making prompt repayments. But such cases are now, we are glad to say, relatively rare, and the cultivator is day by day becoming more able to protect his own interests.

VI

Middlemen.

1074. Part played by middlemen.—We have discussed this question earlier in this chapter. In all parts of the province one can find the itinerant dealer as is explained above. In the backwoods of Dindori you will find the Banjaras with herds of pack bullocks carrying grain for sale at the wholesale market. In Chhattisgarh, we find, on all the main roads in the season, streams of carts of the Telis and Chamars, who carry on the same business, etc., etc.

1075. It is true that the itinerant traders pay a lower price for the produce which they purchase in the village than the prices prevailing in the wholesale market, but it does not appear to us, at the conclusion of our enquiries, to be correct to state

that these persons as a rule obtain an undue return for the difficulties and risks which they undergo and the services which they perform.

1076. After all, the labourer is worthy of his hire, and those who make use of the means of transport to the wholesale market must be prepared to pay for it. No doubt the wholesale merchants would be gratified, if the railway companies would carry their produce free of charge to Bombay; but business is a different thing to philanthrophy, and, just as all transport agents of necessity make charges for the services which they perform, the petty dealer also expects to obtain a reasonable remuneration for his services.

1077. Middlemen necessary under present conditions.—In the present state of communications, this indigenous system which has grown up spontaneously to meet an existing demand, has worked and continues to work on the whole satisfactorily, and although it is easy to complain that these persons make their living out of the cultivator; it is obvious that all persons have to earn their living in one way or another, and if the petty dealer's profession was taken from him, it would be necessary for him to earn his living in some other way.

1078. The services which he performs are useful, and we entirely agree with the Royal Commission in deprecating the easy generalities with regard to "hordes of rapacious and unnecessary middleman". In the course of our enquiries, we have not found evidence to support the proposition, that the existing middlemen are on the whole either unnecessary or rapacious. No doubt with improvement of communications and the organization of a system of co-operative sales and pools, it might be possible to eliminate some middlemen to a certain extent. But we are not all of us of the opinion that it will be either possible or desirable in the early future to eliminate the itinerant dealer.

1079. The dalal or adatya, another important middleman, we have discussed already in this chapter and elsewhere. He performs useful services at present, but could be eliminated in time by the formation of co-operative sale societies.

VII

The dangers in holding up produce for a rise in prices.

1080. There is a certain school of thought who is of the opinion that the tenantry throughout the whole length and breadth of the Central Provinces and Berar are poor and helpless, that they are being constantly exploited, and that the present system of marketing is pernicious in its tendency and disastrous in its effects.

1081. There are no doubt defects in the existing indigenous system of marketing and agricultural finance, as in all other systems: but the point which has been brought home very frequently to us in the course of our intensive enquiries is the

general suitability of this indigenous system to indigenous requirements. It is after all a natural system which has grown up to meet existing needs.

1082. Danger of holding up cotton for better prices.—It is undoubtedly true that the cultivator does not always get the best price for his produce owing to the fluctuation in prices. This is particularly the case in Berar, where the prices of cotton fluctuate from day to day. The cultivator usually disposes of his produce as soon as he can after the harvest, and it has been argued with some reason that, if it were possible for him to hold up his produce, he would obtain better prices. We doubt, however, very much the advisability of such action, under existing conditions, as far as the cotton zone at least is concerned. In the Manjrod tract of the Burhanpur tahsil of Nimar, we found that in the villages of Captain O'Grady, an attempt in the past had been made by cultivators to bale and store their cotton in the hope of a rise in prices: but in actual result, these persons suffered heavy losses. The price of cotton, under the influence of world factors, is just as likely to fall as to rise, and we feel that it would be dangerous to encourage the small cultivator, who is usually illiterate and has little staying power and practically no reserves, to gamble in futures.

1083. Although a number of persons have recommended the creation of facilities for holding up agricultural produce for a rise in prices, we doubt very much the practicability of such proposals in cotton areas until some greater stability in prices has been obtained. Under present conditions, the holding up of the cotton crop appears to be a pure gamble in which, as a matter of fact, many big merchants have themselves in the past been ruined.

1084. Outside the cotton zone, experience in the past has shown, that the price of agricultural produce has been usually lowest at harvest time. The cultivator is compelled to bring his crop to the market before the rains break, and the coming of the new crop on the market usually results in a fall in prices. In the past this fall has usually been temporary only, and those persons who have been able to hold up their produce for a month or two have usually been able to obtain better prices. But in recent years, world factors have also begun to dominate the price of wheat, so much so that at a time of almost complete failure of the wheat harvest in the northern districts of the province in 1928-29 the importation of large quantities of cheap Australian wheat in Bombay kept down the local price of the commodity below the price of some other years. It appears, therefore, to us to be economically unsound for the small cultivator to attempt to hold up those crops, the prices of which are controlled by world factors.

1085. Egyptian cotton scheme considered.—We have studied with great care the details of the Egyptian cotton scheme. Some witnesses who have appeared before us have favoured the introduction of similar facilities in these provinces. For the reasons stated above, however, the majority of us are of the

opinion that it would not under present conditions be desirable to encourage the small cultivator to hold up his produce for a long period in the hope of a rise, and therefore do not feel justified in recommending the introduction of facilities on the lines of the Egyptian cotton scheme in this province. In the present year, many persons might have been ruined by holding up their cotton, the price of which has fallen enormously since harvest.

1086. It has been suggested that Government should take special action to stabilize prices and to prevent them falling below a certain minimum. If this were possible, an entirely different situation would arise. We feel however that though the Central Committee may consider this question, it is outside the scope of our enquiry.

VIII

Co-operative Marketing.

1087. The holding up of produce in the hope of a rise is, however, an entirely different matter to sale through co-operative sale societies. We have studied, with interest, the valuable views of that able American writer, Mr. N. H. Cornish, on the question of co-operative marketing, from whom we quote the following:—

> "The United States Department of Agriculture has made valuable contributions to the subject of co-operative marketing through investigations. Chambers of Commerce have taken an active interest in spreading the co-operative marketing idea among the farmers with the hope that it would bring prosperity to the agricultural class. Colleges and Universities have made investigations in co-operative marketing, and have been offering courses in this subject, with a view to finding out the pitfalls and essentials of co-operative marketing, and making known scientific data to the public in general and to the farmers in particular. Professional promoters have been busily engaged in organizing co-operative associations. Finally, enterprising farmers have been contributing to the co-operative movement by participating directly or indirectly to it. Partly because of these many and varied activities, over one-third of the farmers in the United States are now members of co-operative organizations."

1088. World Economic Conference at Genoa.—We also on the whole agree with the resolutions of the World Economic Conference held at Genoa under the auspices of the League of Nations in 1927, which run as follows:—

> "Owing to the considerable number of small and medium-sized agricultural undertakings, the tendency towards concentration displayed in industry being absent, the organization of agriculturists should be continued along the lines of association and co-operation which have already been tested in many countries: it may with advantage be supplemented by agreements between agricultural and consumers' co-operative societies.

It is to the interest of Governments to encourage agriculture and the agricultural associations which have as their objects the improvement of the situation of the agricultural population. In particular, the creation and development of mutual credit would be greatly facilitated by Government assistance.

The agriculturists of different countries contribute to the improvement of their standard of living and to the general prosperity by utilizing to an increasing extent all forms of co-operation: co-operative supply societies either for the technical or domestic requirements of members: co-operative selling organizations for the regular marketing of products: producers' co-operative societies for the intermediate processes between the production of the raw material and the sale of the finished product: co-operative credit societies to meet the need for capital (bringing equipment up to date, improving the cultivation of the soil, storage of products).

Co-operative institutions thus increase the purchasing power of agriculturists both as producers and as consumers. At the same time, they further economize progress both by increasing productivity and improving equality and also by making it possible to utilize fully the products of the soil and their by-products. Lastly, they assist the organization of markets by methods which reduce to a minimum the costs of distribution.

Agricultural co-operative societies will contribute to a still greater rationalization of economic life in proportion as they develop their relations with the consumers' co-operative societies. Direct commercial relations between producers and consumers eliminate superfluous intermediaries and, when they are sufficiently widespread, result in the establishment of prices which are advantageous to both parties. In addition to material profit, there is a moral advantage by direct commercial relations: producers and consumers learn to know each other and to take account of the special characteristics and requirements of the other party. The producers' and consumers' co-operative societies learn to appreciate the value of direct relations in accordance with their common principles. The clear realization of the possibility of mutual collaboration and mutual confidence in business relations are essential to a practical solution of the question of direct commercial relations between producers' agricultural co-operative societies and consumers' co-operative societies—a question which has for a long time past been settled in theory.

The efforts made to achieve practical results should be furthered on the part of agriculture by the production of specific quality and uniform type; on the part of the consumers' co-operative societies by the determination to buy agricultural produce as far as possible for the agricultural producers' co-operative societies; on the part of States and of public authorities by supporting the co-operative movement through the creation of chairs at Universities or of other scientific institutions, the institution of public courses dealing

with the co-operative movement, and by a fiscal policy of abstention from discriminatory measures against co-operative societies."

1089. These very laudable aspirations, however, cannot be fully implemented in the early future in a relatively undeveloped territory like the Central Provinces. We are none the less fully aware of the wide scope for the development of co-operative endeavour in the Central Provinces. Elsewhere in the chapter on "Co-operation" we have explained the fact that up to now the co-operative movement has been almost entirely confined to the provision of credit facilities. This is after all perhaps one of the less important functions of co-operation and is, certainly not, in our opinion, the most urgent need of agriculturists which the co-operative movement might supply.

1090. We have urged in Chapter XI the need for the greater concentration of the co-operative movement in future upon thrift and investment and upon other forms of activity besides those of providing credit facilities.

1091. **Co-operative sale societies and pools.**—It may perhaps not be possible in the immediate future to develop co-operative sales societies and pools on a large scale in this province. Our enquiries show that the experiments made in co-operative adat shops or sales societies in Berar have not yet met with much success. This is possibly due to the fact that up to now the energies of most co-operative workers have been almost entirely devoted to the provision of credit facilities and to money-lending. We feel, however, that the time has come when a concentrated effort should be made in this direction, and we suggest the desirability of the appointment of a special officer under the Registrar of Co-operative Credit Societies for pushing on the formation of co-operative sale and supply societies. This question is considered further in Chapter XI.

IX

Licensed warehouses.

1092. **Licensed warehouses.**—The holding up of produce by the small producer is also an entirely different subject to the storage of goods in the course of trade and commerce. The system of licensed warehouses and warehouse receipts as trade acceptance is not in vogue in the Central Provinces, and our attempts at collecting information were therefore directed towards finding out how far the system would be advantageous to trade and commerce in this province.

1093. At many big towns and centres in this province, it is customary for traders and financiers to hold their goods or merchandise in store-houses or godowns, and it is usual to obtain finance against goods so stored on the basis of pawn or pledge.

1094. The gist of the licensed warehouse system lies in the fact that goods warehoused are held not by the owner or by the financier, but by a third party, *viz.*, the warehouse-keeper, who is under the control and supervision of the government of the country.

1095. The warehouse-keeper grants receipts to persons warehousing the goods, stating therein the nature, quantity and quality of goods held. He is under a statutory obligation not to pass out goods without the production of the receipt granted by him, and without a discharge from the person who is the holder of it.

1096. In Western countries, where this system is in vogue, these receipts are useful for trade acceptances.

1097. In the course of our enquiries, we found a strong body of opinion in favour of the introduction of a scheme of this kind, particularly in Berar.

1098. We have a large export trade in cotton in this province, the extent of which is estimated at 52 per cent of the total exports. We have a considerable inland and export trade in grain. Cotton merchants tell us that they are forced, under the present circumstances, to send cotton bales to Bombay or Calcutta not for immediate sale, but for obtaining finance for further business.

1099. Market committees should take the initiative.—In the initial stages, at any rate, godowns now in use would be available. We do not think that large sums would be needed for warehouses. If the market committees take a lead in the matter, we see good prospects of reliable men coming forward as licensed warehouse-keepers. A beginning could be made, in our opinion, in selected places by the market committees themselves acting as warehouse-keepers, as some committees in Berar and in some places in the Central Provinces have already constructed godowns for the produce dealt with in their markets.

X

Better organization of markets.

1100. Better organization of markets.—As has already been explained, the following main classes of markets may be distinguished :—

(i) The weekly or periodic markets held in the bazar villages in rural areas.
(ii) Big markets held on the occasion of religious fairs, etc.
(iii) Markets at trading centres and railhead towns.

1101. Weekly markets and fairs.—The first and second classes are generally concerned with retail transactions, as has been explained in Chapter II. Here the cultivators and others sell small parcels of grain, oilseeds and forest produce,

and buy all sorts of cloth, ornaments, etc., etc. These bazars are mainly distributing centres and, except that they afford certain facilities to small itinerant traders for collecting produce, are not concerned with wholesale trade. The small markets or bazars of this kind, when situated in municipal towns, are controlled by the municipal committee; in rural areas they are usually managed by the district councils or by panchayats. They are purely indigenous products which have grown up in the course of ages to meet existing needs, and we have no material changes to suggest with regard to them, as our enquiries show that they at present satisfactorily perform the functions for which they exist.

1102. Ganj or mandi.—The third class of market exists for the purpose of trade and as a trading centre. To these markets, the producers, itinerant traders and wholesale purchasers resort for the sale and purchase of commodities. They have distinctive names in different parts of the province, being often called "Tar" from the wire fencing which is used for enclosure, in the case of the cotton markets in Berar, while the term "Ganj" or "Mandi" is usually applied to those markets in the north and east of the province. We have already briefly described the methods of business carried on in these wholesale markets.

1103. (*a*) Cotton markets of Berar.—For the purposes of regulating and controlling the cotton markets of Berar, the special enactment known as the "Berar Cotton and Grain Markets Law" referred to above, was introduced, and under it an independent cotton market committee is entrusted with wide powers for the proper management of the market.

1104. Reform contemplated.—For the further improvement of the management of these markets, for the representation of producers on market committees, the control of brokers and adatyas and the standardization of weights and the appointment of agencies to settle disputes, the Government has already drawn up and published for opinion draft rules in the *Central Provinces Gazette*, Part I, pages 797 to 807. Provided these rules are properly enforced, they can adequately protect the parties from sharp practice and dishonesty.

1105. Restrictions on the appointment of brokers.—We would like, however, to point out the need for laying down that persons of questionable character should not be licensed as brokers or adatyas, and that persons convicted of offences involving moral turpitude should not be eligible for licences as brokers for a period of at least three years after the expiry of the sentence. On the other hand, we consider that the proposal to restrict the number of brokers or adatyas is likely to do more harm than good, at the present stage of development of the province. Such restriction is likely to increase the dangers of monopoly and of concentration of privileges in the hands of a small body.

1106. Introduction of platform scales.—As already explained, we have visited and examined the methods of working

of most of the cotton markets of the province and, although the opinion of all those whom we have consulted is not unanimous, we are satisfied that the universal introduction of the use of platform scales for weighment would be beneficial, and we would also press for the insistence on all sales of grain being by weight and not by measure of capacity, as this will save the time and the money of the producer without causing loss to the purchaser.

1107. Charges against adatyas.—Some of the witnesses who have appeared before us have accused the brokers or adatyas of certain malpractices. They state that the adatyas or brokers often act as money-lenders, and through the means of advances induce the producer to sell to them or through them for less than the fair price. We have made careful enquiries in our intensive village surveys into these allegations, and, as is explained elsewhere, have found that there is no reason to believe that the advancing of loans by adatyas gives rise to abuses.

1108. The second charge is that some adatyas assist in false weighments instead of preventing them, and that they often collude with the purchaser against the interests of the seller whom they are paid to represent. Although no actual instances of dishonesty of this kind have been proved before us, we have reason to believe that individual cases of dishonesty occur in this business as in all other professions. We feel, however, that the remedy lies in more strict supervision and more strict enforcement of the rules and byelaws.

1109. Other allegations are that the adatya sometimes realizes more from the purchaser than he pays to the producer, that his charges are not commensurate with his services rendered and that he takes deductions in the name of charity, which the producer has no desire to give, and that the adatya occasionally is himself the purchaser in disguise.

1110. We are satisfied that a properly constituted market committee, anxious to do its duty and to keep close control over the adatyas and weighmen and others who do business in the market, can prevent the occurrence of abuses of this kind. We have also reason to believe that the extent of these abuses is often exaggerated. We have asked numerous witnesses, who have alleged the existence of such abuses, to estimate the amount of loss which the cultivator is put to thereby, and in no case has any witness estimated the loss at more than 5 per cent of the total value of the produce sold.

1111. Wholesale markets in the Central Provinces.—So much for the cotton markets of Berar. Outside Berar the wholesale markets are administered by the local municipal committee, the district council or notified area committee. These bodies have no power to appoint any market committee except one consisting of their own members. The result is that the producer cannot be adequately represented on the market committee, while the interests of this committee will

usually coincide with those of the purchasers, who form the most important part of their local electorate.

1112. The members of the committee have also their other duties to perform on the municipal committee, etc., and have therefore not sufficient time as a rule to discharge their duties satisfactorily. We feel that it is most necessary to introduce an Act on the lines of the Berar Cotton and Grain Markets Act for the establishment of similar market committees throughout the Central Provinces with similar powers to those already existing in Berar. The matter has been for some time under the consideration of Government, and we recommend that very early action be now taken.

1113. District Market Officer.—In addition, a proposal has been submitted to us for the appointment of a District Market Officer for the supervision of the wholesale markets of a district.

1114. We feel that there is much to be said for this proposal; it has been urged, and we feel rightly urged, that good intentions and pious wishes, and the mere enunciation of paper regulations cannot alone secure an improvement in the organization of markets.

1115. The protagonists of the cultivators and producers urge that, if the existing rules in the Berar cotton markets were always strictly enforced, the producer would be adequately protected from any danger of fraud, but that for the present some supervision over the working of the cotton market committees is necessary.

1116. It is suggested that the District Market Officer should be of the rank of an Extra-Assistant Commissioner, that his duty should be to visit markets, to inspect weights and measures and to see whether any licensee of the market is in the habit of malpractices, and to advise market committees generally in the improvement of their market. It has also been suggested that appropriate provision should be made in the market law empowering the market officer to punish offenders with fine or with cancellation of licence. Trade disputes and defaults by persons employed in trade demand prompt action, and we believe that the rapid disposal of cases on the spot by a market officer would be more in the interests of trade than action under the ordinary penal law of the land.

1117. The appointment of the market officer, however, would not of course prevent the ordinary penal law taking its course where necessary.

1118. The market officer need not be a whole-time officer and could also perform other duties in addition. The extra cost, if any, involved might be met jointly by contributions from the markets of the district and by Government. We do not think that the market committees will consider our proposal to be an undue interference with their rights and privileges, provided the officer appointed for the purpose exercises discretion and tact in the performance of his duties.

XI

MARKETING FINANCE.

1119. Finances for marketing produce for internal and external trade.—The following persons require finance for the marketing of produce for internal and external trade:—

(*a*) the small purchasers who collect stock in small parcels in the villages, and

(*b*) the purchasers who buy in the big markets either for internal trade or for export.

1120. How petty dealers obtain finance.—The itinerant dealers and petty dealers need cash for payment to the producers. They obtain loans from the indigenous mahajans and bankers according to their credit. They are not generally called upon to execute any formal documents like promissory notes or bonds. The loans are for short terms, sometimes extending over the season at the end of which accounts are squared, and sometimes being granted for the period of each trip into the interior or "Khep". In Chhattisgarh the rate of interest charged per trip from the "Khepari" is calculated at the rate of half an anna per rupee per mensem, or 37½ per cent per annum. In cases where advances are taken for the whole season, the rate of interest is about 15 per cent. We have not found that this class of trader experiences difficulty in obtaining the financial accommodation which he requires, although the rate of interest is sometimes high. We deal with this subject further in Chapter XIV.

1121. We have reason to believe that the co-operative credit movement might do much in this sphere of finance, if these traders could be induced to form themselves into co-operative societies for obtaining advances to finance their business, and we trust that the Registrar of Co-operative Societies will give this question his careful attention.

1122. How big purchasers secure finance.—The purchasers in the big markets obtain finances either from the indigenous bankers and shroffs or from the commercial banks. The big foreign exporting firms, like Ralli Brothers and the Japanese firms, usually open agency offices at big trading centres in the busy season. The other merchants who buy for export, employ their own capital supplemented by advances obtained by hundis on the exporting firms against the goods which they consign. These trade bills are usually discounted locally. This subject has been separately discussed in Chapters X, XIII and XIV. Those persons on the approved lists of the Imperial Bank and the Allahabad Bank also obtain finance by cash credits or by selling hundis at those places where branches of these banks exist. In addition they obtain advances of cash on the pledge of their goods.

1123. Complaints against the Imperial Bank.—We have received numerous complaints from various witnesses that the Imperial Bank has become more cautious than before in its business, and is not giving that assistance to trade which it reasonably might give.

We have already explained elsewhere that we do not propose to record any conclusions on this subject, as we consider that it will suffice for us to bring these complaints to the notice of the Central Committee who are themselves examining the general policy and business methods of the Imperial Bank of India.

1124. Exchange Ratio.—In the cotton tracts of the province and elsewhere, a number of witnesses have complained that the financing of produce for external trade has been obstructed by the fixation of the exchange ratio of the rupee at 1s. 6*d*. It is maintained that the interests of producers are being sacrificed to the problematic advantages of the consumers, and that the annual loss to the province by the fixation of the rupee at 1s. 6*d*. amounts to above five crores of rupees. This is not a subject with which we are required to deal, and it is not necessary for us to do more than to invite the attention of the Central Committee to this view, which is very widely held in this Province.

CHAPTER VIII.

1125. Organization of internal trade.—Internal trade in this province is carried on—

(1) in commodities produced in the province and sold in this or in other parts of the country; and

(2) in commodities produced in other parts of the country and in foreign countries and sold in the province.

1126. Important commodities of the first class are grain, pulses, oil seeds, *ghee*, oranges, building materials (such as bricks, tiles, flooring stone, lime), fuel, cooking oils, cotton piece-goods yarn and handloom products, brass and bell metal wares. Important commodities produced in other parts of India and sold in the province are iron and steel products of Jamshedpur, cotton, and woollen cloth, kerosine and petrol, *ghee*, cotton yarn, Mangalore tiles, corrugated iron sheets, leather, cooking oil.

1127. Important commodities produced outside the country that enter into the trade of this province are cotton, silk and woollen cloth, cotton yarn, porcelain, glass, enamel and aluminium ware, oilman's stores, hosiery, etc.

1128. Food grain and pulses.—These are generally produced within the province, and are sent to the different parts of the province where they are required. Thus rice comes to the Nagpur and Berar markets from Chhattisgarh and from the Bhandara and Balaghat districts. Wheat comes to the Nagpur market from the Nagpur district and also from Mandla and the plateau districts and Chhattisgarh. Gram comes to the Nagpur market from the Jubbulpore, Narsinghpur and Hoshangabad districts, trade with the two latter districts having specially increased since the opening of the Nagpur-Itarsi line of the Great Indian Peninsula Railway.

1129. The wholesale merchants all over the province buy food grain in the big grain markets of the districts where the particular grains are produced. They generally buy through agents there. The agent gets 12 annas per cent on the purchases. This business is mostly on a cash basis and there are very few credit transactions at this stage. Generally the agents draw "darshani" hundis on the merchants for whom they buy, and sell them to the Imperial Bank or the Allahabad Bank, where these banks have branches, or to local indigenous bankers.

1130. Wholesale merchants, if they need cash at any time, usually borrow on the security of their grain stocks which in the case of the joint stock banks are deposited in the godowns of the lender (*vide* our notes on the Kareli Ganj market, etc., etc., Appendix F.-XVIII).

1131. The wholesale merchants sell to retail dealers on credit. They generally give 8 to 15 days' credit. If payment is not made within a reasonable time, credit is not given again. Interest is not separately charged.

1132. The retail dealers sometimes sell on credit, and sometimes for cash. In more prosperous areas the account is generally settled at the end of the month. In poorer localities it depends on the credit of the customer. If credit is given, sometimes a little higher price is charged.

1133. Ghee.—*Ghee* is exported from several parts of the province, particularly from Saugor, and is also imported into other parts from outside the province (*vide* interview with Saugor merchants, Appendx F-V). *Ghee* is generally sent to adatyas in big towns at the risk of the producers and traders. The adatya advances 50 to 70 per cent of the value of the goods and charges interest, until the goods are sold. Small sellers generally buy from the adatya a few tins at a time on credit, and when they come for their next supply, pay for the quantity previously taken. There is an agreement that if the price be not paid within a week, interest will be charged. But this is never enforced in practice. The adatyas get 1 per cent commission on sales from the producers and traders on whose behalf they sell.

1134. Sugar.—Wholesale merchants buy sugar from Bombay and Calcutta through adatyas in those places. The adatya at Bombay charges adat at the rate of 8 annas per cent and at Calcutta 6 annas per cent. Sometimes goods are bought on credit and then interest at the rate of 8 annas to 10 annas per cent per month has to be paid. The wholesale merchants sell to retail dealers almost universally on credit, and charge no interest for 15 days, this being provided for in the price charged. There is, however, always an agreement to pay interest at 12 annas per cent if payment is delayed more than this period.

1135. Vegetable oils.—A great deal of the oil consumed in the province is made locally. But a little of the til oil comes from the Nizam's dominions, and most of the mustard oil comes from Cawnpore.

1136. The wholesale merchants get about two to three weeks' credit from the local oil mills. But there is no credit given for oils coming from outside the province.

1137. Payment in their case is made either by the sellers drawing hundis on the Bombay agents of the wholesale purchasers, who are advised to honour the hundis, or by direct remittances from the wholesale merchant purchasers. This is done by sending money through banks or by buying hundis on those places if available.

1138. When the sellers by arrangement draw hundis on the Bombay agents of the wholesale merchant purchasers, the agents charge 2 annas per cent commission, while the necessary funds are remitted to them by the wholesale merchants either by buying hundis on Bombay or through the Imperial Bank.

1139. Building materials.—Bricks are always made near the places where they are used. Lime is distributed throughout the province from Katni.

Roofing tiles are generally those of Jubbulpore or of Mangalore.

The latter are indented for from Bombay. Flooring stone comes from Rajim in Raipur district. Katni lime, Jubbulpore tiles and Rajim stones are generally supplied on one month's credit.

1140. Payment is made wherever possible through the Imperial Bank. The Imperial Bank charges 2 annas per cent on sums over Rs. 1,000 and 4 annas per cent on Rs. 1,000 or less for remittance. This can be done, as there are branches of the Imperial Bank at Jubbulpore, Katni and Raipur.

1141. But when this is not possible, the traders buy hundis on Bombay and send these to their creditors who sell them locally. Hundis on Bombay are almost everywhere acceptable, as payment has constantly to be made at Bombay.

1142. Sometimes also the remittance is made through indigenous bankers.

1143. Mangalore tiles are generally bought through agents on 15 days' credit. The agent's charge for commission and expenses come to about 2 per cent of the value of the goods. Payment is generally made through the Imperial Bank or by hundis. There are practically no small traders in this line of business. People generally require large quantities at a time, and big merchants in large centres of trade supply a large surrounding area.

1144. The big merchants usually give credit for a month to good customers, and there is a condition that if payment is not made within a month, interest at 1 per cent per month will be charged. But if payment is made within two months, which is very common, no interest is in practice charged.

1145. Oranges.—In the Nagpur orange market oranges come from all over the district and occasionally from Chhindwara also by cart. The gardens are usually purchased by merchants, and cash payment is made to owners of the gardens in advance.

1146. The carts are auctioned through adatyas. The seller has to pay Re. 1 per cent to the adatya and 14 annas per cent to the municipality as terminal tax. The adatya also gets 1 per cent from those buyers who do not pay cash. Credit is given until payment is received from the places to which the oranges have been sent. Oranges are commonly sent to Calcutta, Bombay, Ahmedabad, Delhi, Lahore, Amritsar and Peshawar. The practice is for merchants to draw hundis on their adatyas in those places, to which the oranges have been booked, for 70 to 75 per cent of the value, and cash them through local sowkars.

1147. The sowkars charge 8 annas per cent on hundis on Calcutta and Bombay, and Re. 1 per cent on hundis on Punjab towns, etc. This is when cash is required at once. Otherwise hundis may be collected through the Imperial Bank which charges 4 annas per cent for its services. The adatyas themselves also send oranges to other parts of the country.

1148. The stall-keepers of the orange market generally give credit for a day hawkers, who hawk oranges from house to house and settle the account in the evening.

1149. It will be a mistake to think that all the oranges are railed at Nagpur. Oranges are booked from any place where there is a sufficiently large quantity available, and where railway facilities exist; *e.g.*, Katol does a lot of business in oranges.

1150. Leather.—Different kinds of leather are used by the shoemakers of the province. In the villages leather produced by the village tanner is converted into the shoes ordinarily worn by the rural population. But in some towns there are fairly large establishments where boots, shoes, and slippers of up-to-date style are produced. The only machine used for the purpose is the sewing machine for uppers. The following kinds of leather are used in the province :—

(1) Chrome leather for uppers and soles. These are generally indented for from Calcutta, Madras, Trichinopoly, Bombay, Ahmednagar, Cawnpore and Gwalior.

(2) Bark-tanned leather for uppers. These are indented for from Calcutta, Cawnpore, Jullandhar, Gwalior, Bombay, Ahmednagar, and from the Government tannery, Nagpur.

(3) Bark-tanned sole leather. These come from Kamptee, Raipur, Sambalpur, Cawnpore, Jullandhar and Bombay.

(4) Bark-tanned leather for lining comes from Madras, Secunderabad, Bombay and Calcutta.

1151. Proprietors of the larger shoemaking establishments get the leather they want by railway parcel, the price being collected by sending the railway receipt per value payable post, except when they are sufficiently known to outside traders to get credit. In the latter case credit is generally given for two or three months. Payment is then made by sending notes per insured post.

1152. Leather merchants in the bigger towns also indent for leather on the same terms and in the same way. They sell to small shoemakers for cash or on credit for two or three months. Shoes are sent to Hyderabad and Berar from Nagpur, and payment is secured by sending the railway receipt per value payable post.

1153. Cotton piece-goods.—Most of the big cloth merchants have their shops or agents in Bombay and Calcutta. Cloth is purchased for cash there and despatched to destination. Both foreign and Indian mill-made cloth are thus purchased. Those who want credit may get it for about two months, interest at 8 annas per cent per month being charged.

1154. Existing credit facilities.—The wholesale merchants sell cloth to shop-keepers on credit. Generally two months' credit is given; no interest is separately charged. That it is charged in the price, can be seen from the fact that a discount of 12 annas per cent is given to those who pay cash.

1155. The retail sellers again sell on credit to the actual consumers, and if payment is not made within one month interest is charged at Re. 1 to Re. 1-8-0 per cent per month.

1156. The local cotton mills have their own shops at Nagpur. They have also sub-agents who have to provide a deposit against the goods supplied to them. They send cash as they sell goods and require to replenish their stock.

1157. Credit is only given to very big merchants. Generally, credit is given for a month and if cash is paid, discount at the rate of 12 annas per cent is given.

1158. Woollen goods.—Woollen cloth and woollen goods are obtained partly from the Lalimli mills, Cawnpore, but mostly from foreign countries. Lalimli mills have got an agent at Nagpur who has deposited Rs. 10,000 with the mills, and who gets goods worth that amount at a time. No credit is given to the agent. The agent sells the produce of the mills on credit.

1159. Foreign woollen cloth is indented for from Bombay, Calcutta and Amritsar. The wholesale merchants buy at those places through dalals. If payment is made in cash, a discount of 5¼ per cent is given.

1160. The wholesale merchants sell these to retail merchants on about three months' credit. Interest is not charged from every one. It depends upon the credit of the parties. The rate of interest varies from 8 annas to 12 annas per cent per month.

1161. Some of the Bohra shop-keepers indent foreign cotton and woollen goods direct from Bombay. They buy through an agent, who is responsible to the sellers for payment. The agent has to be paid commission 2 per cent. 6¼ per cent discount is given on cash payment; this is reduced by 12 annas per cent for every month of credit that is given.

1162. The Bohra shop-keepers of Nagpur also hawk cotton, woollen and silk goods and hosiery from house to house. They sell freely on credit to certain classes of the population, principally Government servants. They present a bill at the end of every month, and are quite satisfied with part payment and a further purchase. They give no discount for cash payment and make no differences in cash and credit prices.

1163. Silk goods.—Apart from Indian silk, silk goods are indented for from Bombay. They are generally imported from China and Japan. The merchants here buy through agents in Bombay on 15 days' credit. The agent gets 2 per cent on the value of the goods and is responsible for payment. There is no difference in cash and credit prices. These are generally indented for by Bohra merchants.

1164. Enamel, aluminium and glassware.—These are also bought in Bombay and Calcutta, through agents on the same terms as above. Not more than 15 days' credit is given. 2½ per cent discount is given if the price is paid within the period. In the case of aluminium ware payment has to be made after month and discount of 1½ to 2½ per cent is then given.

1165. Oilman's stores.—These are indented for by shop-keepers through agents in Bombay. The agent has to be paid 1 per cent commission on the value of the goods. The account has to be settled about the 5th of every month. No discount is given for cash payment.

1166. Hosiery.—These goods are purchased through agents in the same way. If payment is made within a month, 5 per cent discount is given; 12 annas per cent is deducted from this for every month of delay.

1167. Yarn.—There are many handloom weavers in the province and a great deal of yarn is sold. The big yarn concerns are branches of Bombay firms, *e.g.*, Hajee Hussain Dada and Hajee Karim Noor. They get this yarn from Bombay—partly countrymade, partly foreign—, and from the local mills. They always buy for cash. These wholesale houses sell on 15 days' credit to shop-keepers, and after this period interest is charged at 10 annas or 12 annas per cent per month. Shop-keepers sell the yarn to weavers on credit, for which they charge a little higher than the cash price.

1168. Hardware.—Wholesale merchants indent these from Bombay on credit. Credit is given for one to six months for which interest at the rate of 1 per cent per month is charged. They get goods from Tata's also. 1 per cent discount is allowed if payment is made within a month. The wholesale merchants act sometimes as retail merchants also. They sell 30 days' credit, and if payment is not made within the due date, there is a condition that interest at the rate of 12½ per cent per annum will be charged. But this is hardly ever enforced.

1169. We have made enquiries at various towns throughout the province, and notes of our numerous interviews with leading merchants at various places will be found in Appendices F and G. It is not necessary, therefore, to deal with this subject at greater length here.

1170. From the above it will be clear that in the organization of internal trade, the following are the important classes:—

(1) The wholesale merchants who generally work with their own capital. If they need credit, they usually borrow from banks or indigenous bankers on the security of of their goods, keeping these in the godowns of the lenders. This is specially common in the case of grain merchants. Sometimes they buy on credit, the agent in Bombay being their surety, who receives remuneration for the risk. Sometimes they get credit from people from whom they buy, and in such cases they have to pay interest in one way or another.

(2) The buying and selling agents in other towns. Things imported from foreign countries or produced in other parts of the country have to be bought either in Calcutta or Bombay. Merchants in some parts of the

province find it profitable to buy from Bombay and others from Calcutta. The determining factor is usually the railway freight. Purchases are made through agents, who have to be remunerated for their trouble and sometimes for the risk they undertake in allowing credit. There are also selling agents or adatyas who sell on behalf of producers and traders of the province. They advance 70 to 75 per cent of the value of the goods sent to them and charge about 6 to 9 per cent interest per annum, pending the sale of the goods. They thus finance to some extent what may be called the export trade of the province, and also find purchasers for goods.

(3) Then, there are the retail sellers who almost universally buy on credit either from the wholesale merchants in Nagpur or from Bombay or Calcutta, their buying agents standing surety for them. They have to pay interest which is often concealed in the price, sometimes getting a discount for cash payment. They sell to actual consumers, sometimes for cash and sometimes on credit. The usual practice is to settle accounts at the end of the month. There is an agreement in some cases that if payment is not made at the end of the month, interest at the rate of 12 to 18 per cent will be charged. This is not always enforced; it depends on the credit of the parties.

1171. Kabuli trader.—There is one class of petty traders from the north who go from house to house with their cheap, gaudy wares in the poorer quarters of towns and sometimes in villages—usually known as Kabulis. They tempt the poor to buy on credit at double or treble the right price, promising to collect the price in monthly instalments and charging exorbitant interest in case of default. They are a great menace to the simple folk of the province. We invite attention to the need for controlling these persons before their activities become a public danger as has happened in some of the big towns of other provinces.

1172. In a province with 91 per cent of its population living in villages which are to a large extent self-sufficing—depending on their own agriculture for their food, on the local telis for their oil, and on local weavers for their cloth, as is explained in Chapter II, trade cannot be of very great importance. The organization of trade, therefore, is not very complex.

1173. For such things as stationery, oilman's stores, aluminium, enamel and glassware, there are no wholesale merchants. Retail traders prefer to get their goods from Calcutta or Bombay.

1174. Credit facilities for wholesale dealers adequate.—Credit does not play quite as large a part in the activities of the wholesale trader as it does in other countries, and the traders do not seem to feel the necessity for additional facilities.

1175. Complaint of Nagpur traders.—The only complaint we have heard, apart from the usual complaints with regard to the strictness of the Imperial Bank is from Nagpur traders who say that the conversion of the octroi duty into a terminal tax by the municipal committee has resulted in a loss of business to them. In the case of octroi, refunds used to be made on those goods, which came to Nagpur only to be sent out again. There are no such refunds in the case of terminal tax. As a result, sellers do not bring their produce to the Nagpur market as they used to do. When a man brings his goods to Nagpur for sale, he also buys what he needs at Nagpur. Nagpur traders, have, therefore, lost some custom. This seems to be a genuine grievance.

1176. For remittance, wherever possible, the people prefer to resort to banks, as they are afraid of the risk of failure of the drawee if they purchase hundis.

CHAPTER IX—INDUSTRIES AND THEIR FINANCE.

I

MINES AND FACTORIES.

1177. There are important coal deposits in the Chhindwara district of the Plateau zone and in the Chanda district, while valuable manganese deposits are found in the Nagpur, Bhandara and Balaghat districts of the cotton and rice zone.

1178. The Central Provinces manganese ores are of the highest grade, and contribute 87 per cent of the total Indian output of manganese.

1179. The products of the cotton zone also lend themselves to industrial development on a considerable scale.

1180. The total number of (1) mines, including manganese and coal mines, (2) cotton spinning and weaving mills, and (3) cotton ginning and pressing factories, are exhibited in the following statement:—

—	Number of industrial establishment.	Average number of operatives employed daily.	Annual output.	Total value of annual output.
1	2	3	4	5
				Rs.
Mines mainly manganese (in the districts of Balaghat, Bhandara and Nagpur) and coal (in Chanda and Chhindwara districts), but including a few lime stone and other quarries.	260	38,300	Manganese ore 600,000 tons.	1,21,50,600
		12,180	Coal 700,000 tons.	35,50,000
Cotton spinning and weaving mills in the town of Akola, Ellichpur, Badnera, Hinganghat, Pulgaon and Jubbulpore and in Rajnandgaon State.	16	23,500	20,270,000 lbs.	160,70,000
Cotton ginning and pressing factories in the cotton tract of the province, *i.e.*, the four Berar districts and the Central Provinces districts of Wardha, Nagpur, Nimar and Chhindwara.	613	39,500	1,500,000 bales.	16,00,00,000
Total ...	...	113,480	...	...

1181. The other industries of the province, to which the Factories Act applies, can be roughly divided into the following :—

	Operatives.
(*a*) Factories owned by Government or Local Bodies (11)	3,000
(*b*) Rice mills, seasonal (33)	1,180
(*c*) Engineering (18)	1,500
(*d*) Food, drink and tobacco (18)	1,500
(*e*) Chemicals, dyes, etc. (33)	1,750
(*f*) Processes relating to stone, wood and glass (11) ..	3,250
Total ...	12,180

1182 Among these latter institutions the most important are the two pottery works in Jubbulpore and the cement factories in the Katni tahsil of the Jubbulpore district, to which we have alluded in the note on the Jubbulpore district.

1183. We are not required to report on the coal and manganese industries, etc., nor upon the cotton mills, as this is a matter which is being separately dealt with by the Central Committee.

1184. It will be seen that the total number of persons employed in the above industries comes to 113,480, or considerably less than 1 per cent of the total population.

1185. The value of the output of ginned and pressed cotton from the gins and presses consists mainly of the value of the raw article produced by agriculture. It will be seen therefore, that the industry of agriculture in this province dwarfs other industries at present into relative insignificance. 91 per cent of the total population reside in rural areas. Of these, 83 per cent are directly supported by agriculture as cultivators or agricultural labourers, while of the remaining 17 per cent a considerable portion are indirectly supported from agriculture, as is previously explained.

1186. As regards the 613 cotton ginning and pressing factories in the cotton zone, our enquiries show that practically all of them are worked through the private capital of the individuals or private firms owning them. There is no complaint of lack of capital for financing this industry.

1187. **Cotton ginning and pressing factories in excess of the demand.**—On the other hand, during the boom years ending with 1923-24, a number of these factories was established in the larger cotton centres in excess of the real demand, owing to the profits then prevailing.

1188. **Pools or combinations reacting unfavourably on the cultivator.**—Since then, in many cotton centres, ginning and pressing pools or combinations have been formed owing to the number of cotton presses and gins being in excess of real requirements. Under this system of combination, a certain number of these factories are kept closed throughout the year and only so

many ginning and pressing factories are worked as are actually required to deal with the total volume of cotton arriving at the local centre. The net profits of the working factories are then divided among the owners of the ginning and pressing factories, according to the actual number of gins and presses owned by them, whether worked or not.

This system of combination has operated to keep up the charges for ginning and pressing, and complaints have been received by us that these charges have inevitably reacted unfavourably on the agriculturists.

1189. The price of raw cotton in the local market depends—

(1) upon the price of ginned and pressed bales of cotton in Bombay; and

(2) upon the charges for ginning and pressing.

It follows, therefore, that the higher the ginning and pressing charges, the lower is the price paid to the agriculturist for his raw cotton.

1190. Co-operative ginning maintainable under the existing conditions.—The members of the local Legislative Council have drawn attention to the dangers of this system during recent years, and Government is reported to be investigating remedial measures. In 1919, the Indian Cotton Committee suggested as one of the remedies the establishment of co-operative ginning factories. This is a highly organized form of co-operation and is perhaps too ambitious for this province in the present stage of development of the co-operative movement. We hope that Government will be able to devise some scheme for preventing unfair profiteering at the expense of the cultivator.

THE OTHER ORGANIZED OR SEMI-ORGANIZED INDUSTRIES OF THE PROVINCES.

1191. Oil mills.—There are 28 oil mills scattered all over the province. None of them employ more than 100 workers. No statistics of the total production of oil and oil cake are available, but some rough idea can be formed of the volume and value of their output from the fact that the annual intra-provincial export and import of oil and oil cake amounts to 53,879 maunds of the value of Rs. 6,73,725, and from the fact that in addition to the portion of their products consumed within the province, 37,417 maunds of oil of the total value of Rs. 4,31,245 and 325,822 maunds of oil cake of the total value of Rs. 12,94,264 are exported outside the province on an average every year.

1192. Indigenous oil pressing machines.—There are, however, at present 17,000 indigenous oil pressing machines (*ghanis*) in the province and their output also contributes to the total provincial output of oil and oil cake. But our enquiries show that the great bulk of the output of the indigenous *ghanis* is consumed locally, and thus does not materially affect the export trade in this commodity.

1193. Most of these factories are owned by individuals or by private firms consisting of a small number of substantial partners, who have invested their own surplus capital in these enterprises. The working capital for meeting their current expenses is obtained from the profits of the business. We find that some of them also obtain, when required, advances from large indigenous bankers and joint stock banks.

1194. Of the oil cake exported, about 93 per cent goes out of India, but only a small percentage of the oil exported goes out of India. The Shree Laxmi Oil Mills of Akola in Berar, one of the largest and best managed mills in the province, which has been pressing only ground nuts for the last three years, purchases all ground nuts and disposes of all its oil cakes at Akola. This shows the scope for similar factories elsewhere. The mill has so far not experienced any financial difficulty.

Glass factories.

1195. **Shree Onama Glass Works, Limited.**—There are two glass factories, one at Gondia and the other at Nagpur. The Gondia factory known as Shree Onama Glass works, Limited, which was started in 1921 by an enterprising science graduate, Mr. A. V .Pandit, has been recently converted into a limited company. The factory produces the following articles:—(1) Pinemoons, Deitz and Kitson, (2) Hurricane globes, (3) cake-holders, (4) jars, (5) tumblers, (6) dishes, (7) paper weights, (8) flower pots, (9) salt cellars, etc., etc., etc. The average sales per year amount to Rs. 50,000 to Rs. 60,000. All the products of the factory are easily disposed of within the province and in the United Provinces.

1196. There is a keen demand for the products of this factory, and the wide scope of extension is shown from the fact that orders to the value of Rs. 50,000 could not be complied within 1928.

1197. **Difficulty of obtaining finance.**—Mr. Pandit informed us that he required a further sum of Rs. 25,000 for erecting new furnaces, and for making other improvements, but has not been able to obtain this money up to now at a reasonable rate of interest. The nearest branch of the Imperial Bank of India is at Nagpur, and this branch has not sanctioned a loan to Mr. Pandit, there being no local branch of the bank at Gondia to take charge of his goods as security.

1198. **Nagpur Glass Works.**—The Nagpur Glass Works at Nagpur, which started work in 1927, produces only globes for ordinary lanterns. The total annual average sales are about Rs. 45,000. Last year this factory had to refuse orders to the value of Rs. 11,000 for want of funds. It requires Rs. 15,000 for making further improvements. This is a limited company and it is most surprising that none of its share-holders, some of whom are very prosperous people, are willing to contribute this amount. This is an index of lack of enterprise.

1199. These glass factories provide interesting examples of the lack of credit facilities for financing industrial undertakings at present.

1200. **Rice hulling mills.**—There are also 33 rice hulling mills which work during the season only, and which have come into existence during the last seven or eight years. They are situated in the rice-producing tracts, many of them adjoining the railway stations in Chhattisgarh. They have been a great boon to the rice tract as the indigenous system of cleaning rice with the wooden husking machines run by one or two women was very laborious. The owners of these mills finance them with their own capital and have not expressed the need for further credit facilities. They can obtain temporary accommodation from big indigenous money-lenders and bankers when required.

1201. **Shellac industries.**—The manufacture of shellac has now become a regularly organized industry in these provinces. The proprietors of the factories are persons with a considerable amount of capital.

1202. There are 13 shellac factories in the province, the most important of them, 4 in number, being at Gondia on the Bengal-Nagpur Railway in the Bhandara district. The note of enquiries at Gondia factories is contained in Appendix G-IX.

1203. Stick lac is collected from the forests of the Bhandara and Balaghat districts and other districts of the Central Provinces, and after cleaning is melted and made into shellac. The various processes for the preparation of shellac are described in the notes appended. The total average quinquennial output of the Central Provinces shellac is some 116,500 maunds of the total value of Rs. 51 lakhs.

1204. The shellac-makers advance money to the retail collectors of lac at 12 per cent interest, and the shellac-makers themselves obtain advances from the Calcutta exporters up to 80 per cent of the market value of shellac to be supplied. The rate of interest charged on such advances is generally 12 annas per cent per month and the advances are for three months.

1205. **Lack of credit facilities.**—The price of shellac is subject to very sharp fluctuations, but the industry is on the whole one of the most paying in the province. The only complaint we have had is that formerly the interest on loans used to be 7 annas 9 pies per cent, but has now risen to 12 annas per cent. The system of taking advances from the Calcutta importers and of the shellac-makers granting advances in their turn to lac collectors is apparently working fairly satisfactorily.

1206. Nine per cent is after all not a very high rate of interest, having regard to the present condition of the money market in India. The shellac-makers occasionally also take advances from indigenous bankers, but there is no reason why branches of the Imperial Bank or joint stock banks should not grant advances to these dealers against their goods in the same way as they grant advances against grain and cotton.

1207. But there is no branch of a modern bank at Gondia, though one appears to be very necessary.

1208. Bidi factories.—The collection of tendu leaves has become a quite important subsidiary employment for agriculturists in large areas of the province during the hot weather. In the scarcity of 1928-29 the rapid rise in number upon famine relief works was checked as soon as the tendu leaves became ready for picking, and it was estimated by our Chairman, who was then Deputy Commissioner, Seoni, that in the Lakhnadon tahsil of that district alone some Rs. 30,000 were spent by contractors in payment for the collection of tendu leaves in a period of some six weeks.

1209. The actual manufacturing of bidis is a simple process and is easily learnt. At present in the Bhandara district the Mahar caste is largely engaged in this business, but this, we understand, is mainly due to the fact that the majority of this caste live by labour and have turned to bidi-making as being more remunerative. There appears to be no reason why any caste should abstain from this form of employment; and we were informed that there are no caste objections to bidi-making.

1210. The ordinary bidi-maker is paid at the rate of some 7 annas per day for a thousand bidis, and many of them can earn 12 annas a day, if not more.

1211. These bidi establishments are largely managed by Guzarathis and Marwaris who seem to have plenty of capital of their own. Our enquiries show that the existing factories do not stand in need of financial assistance. The owners of these establishments seemed to be so completely self-sufficient in respect of capital that they showed no interest in our statement that we desired to find out what financial facilities were necessary for the industry.

1212. The lucrative nature of the industry can be gathered from the information collected by us at interviews with the leading firms, the notes of which are attached in the Appendix G-VII. Bidi-making is so paying that we consider it to be one of the most promising form of subsidiary industry that can be developed in the immediate future.

1213. Provision for the supply of suitable Bombay tobacco can be made on reasonable terms. The only other important raw material, viz., tendu leaves, can be had in abundance in the province. The process is simple and can be easily picked up by anybody with a little practice; and there can be absolutely no objection to making bidis on the ground of caste prejudices, which have so far often been an insuperable obstacle in the way of some other subsidiary occupations.

1214. No statistics regarding the total output of bidis in the province are available, but the total intra-provincial export and import amounts to 24,000 maunds of the total value of 4½ lakhs of rupees, and the total export outside the province amounts to 59,000 maunds of the total value of 10½ lakhs of rupees. In addition the local consumption is very large.

1199. These glass factories provide interesting examples of the lack of credit facilities for financing industrial undertakings at present.

1200. **Rice hulling mills.**—There are also 33 rice hulling mills which work during the season only, and which have come into existence during the last seven or eight years. They are situated in the rice-producing tracts, many of them adjoining the railway stations in Chhattisgarh. They have been a great boon to the rice tract as the indigenous system of cleaning rice with the wooden husking machines run by one or two women was very laborious. The owners of these mills finance them with their own capital and have not expressed the need for further credit facilities. They can obtain temporary accommodation from big indigenous money-lenders and bankers when required.

1201. **Shellac industries.**—The manufacture of shellac has now become a regularly organized industry in these provinces. The proprietors of the factories are persons with a considerable amount of capital.

1202. There are 13 shellac factories in the province, the most important of them, 4 in number, being at Gondia on the Bengal-Nagpur Railway in the Bhandara district. The note of enquiries at Gondia factories is contained in Appendix G-IX.

1203. Stick lac is collected from the forests of the Bhandara and Balaghat districts and other districts of the Central Provinces, and after cleaning is melted and made into shellac. The various processes for the preparation of shellac are described in the notes appended. The total average quinquennial output of the Central Provinces shellac is some 116,500 maunds of the total value of Rs. 51 lakhs.

1204. The shellac-makers advance money to the retail collectors of lac at 12 per cent interest, and the shellac-makers themselves obtain advances from the Calcutta exporters up to 80 per cent of the market value of shellac to be supplied. The rate of interest charged on such advances is generally 12 annas per cent per month and the advances are for three months.

1205. **Lack of credit facilities.**—The price of shellac is subject to very sharp fluctuations, but the industry is on the whole one of the most paying in the province. The only complaint we have had is that formerly the interest on loans used to be 7 annas 9 pies per cent, but has now risen to 12 annas per cent. The system of taking advances from the Calcutta importers and of the shellac-makers granting advances in their turn to lac collectors is apparently working fairly satisfactorily.

1206. Nine per cent is after all not a very high rate of interest, having regard to the present condition of the money market in India. The shellac-makers occasionally also take advances from indigenous bankers, but there is no reason why branches of the Imperial Bank or joint stock banks should not grant advances to these dealers against their goods in the same way as they grant advances against grain and cotton.

1207. But there is no branch of a modern bank at Gondia, though one appears to be very necessary.

1208. Bidi factories.—The collection of tendu leaves has become a quite important subsidiary employment for agriculturists in large areas of the province during the hot weather. In the scarcity of 1928-29 the rapid rise in number upon famine relief works was checked as soon as the tendu leaves became ready for picking, and it was estimated by our Chairman, who was then Deputy Commissioner, Seoni, that in the Lakhnadon tahsil of that district alone some Rs. 30,000 were spent by contractors in payment for the collection of tendu leaves in a period of some six weeks.

1209. The actual manufacturing of bidis is a simple process and is easily learnt. At present in the Bhandara district the Mahar caste is largely engaged in this business, but this, we understand, is mainly due to the fact that the majority of this caste live by labour and have turned to bidi-making as being more remunerative. There appears to be no reason why any caste should abstain from this form of employment; and we were informed that there are no caste objections to bidi-making.

1210. The ordinary bidi-maker is paid at the rate of some 7 annas per day for a thousand bidis, and many of them can earn 12 annas a day, if not more.

1211. These bidi establishments are largely managed by Guzarathis and Marwaris who seem to have plenty of capital of their own. Our enquiries show that the existing factories do not stand in need of financial assistance. The owners of these establishments seemed to be so completely self-sufficient in respect of capital that they showed no interest in our statement that we desired to find out what financial facilities were necessary for the industry.

1212. The lucrative nature of the industry can be gathered from the information collected by us at interviews with the leading firms, the notes of which are attached in the Appendix G-VII. Bidi-making is so paying that we consider it to be one of the most promising form of subsidiary industry that can be developed in the immediate future.

1213. Provision for the supply of suitable Bombay tobacco can be made on reasonable terms. The only other important raw material, viz., tendu leaves, can be had in abundance in the province. The process is simple and can be easily picked up by anybody with a little practice; and there can be absolutely no objection to making bidis on the ground of caste prejudices, which have so far often been an insuperable obstacle in the way of some other subsidiary occupations.

1214. No statistics regarding the total output of bidis in the province are available, but the total intra-provincial export and import amounts to 24,000 maunds of the total value of 4¼ lakhs of rupees, and the total export outside the province amounts to 59,000 maunds of the total value of 10¼ lakhs of rupees. In addition the local consumption is very large.

1215. Flour mills.—One other small industry may also be mentioned, *viz.*, flour mills. A large number of small flour mills have sprung up in towns and in some of the larger villages during recent years. Our enquiries show that these grinding mills have been set up by people with surplus capital of their own, and that working expenses are met from their profits.

1216. Indigenous banker shy of financing industrial enterprises.—There is undoubtedly scope for the development of all these industries, but up to now only those persons have started factories of these kinds who have sufficient surplus capital of their own to do so. Although there are undoubtedly numerous persons of enterprise who might be willing to start similar factories or mills on a small scale, it would not be possible for them to do so until some credit facilities are provided for financing them.

1217. Most of the capital is in the hands of the money-lenders and indigenous bankers. They are not anxious at present to make advances to develop enterprises of this kind. They prefer to lend money to cultivators with landed property. There is undoubtedly some risk in financing such industrial enterprises, and at present indigenous financiers are not willing to undertake these risks, when a better field for the employment of their capital is open to them in the financing of agriculture.

1218. Case for an industrial bank.—It appears to us that until an industrial bank is established, there is little hope of stimulating industries in this province. There is, of course, also urgent need for State Aid to Industries legislation as is explained hereafter.

II

The Principal Cottage Industries.

1219. Subsidiary industries.—In the course of our intensive village enquiries we have given the question of subsidiary employment and cottage industries very close and careful attention. We have also examined the condition of these industries at some of the more important urban centres.

1220. Rigidity of caste rules a hindrance.—It appears to us to be of great importance to stress the point that the industries of weaving, bell-metal, leather-tanning, basket-making, oil-pressing, and in fact nearly all the cottage industries are confined to particular castes at present, and that there are usually caste objections to any persons of another caste engaging in them. For instance, among Hindus nobody but Chamars will take part in an industry connected with the curing or manufacturing of leather articles. In the same way the Kostas, Mahars and other sects of the weaving castes are usually the only persons who do weaving. The Telis alone do oil-pressing; and so on, and so on.

1221. It is important to bear this fact in mind in considering the scope for developing each of these industries, because articles. In the same way the Kostas, Mahars and other sects of persuade people of different castes to take up new industries

against which they have caste objections, although in course of time and with the spread of education these caste objections will be overcome. Unfortunately the dwellers in rural areas are specially conservative.

1222. Cottage industries.—No responsible survey of the cottage industries of the province has been made within recent years. The only survey made was under the direction of Mr. (now Sir), C. E. Low, who was Director of Agriculture in the year 1908-09, when an industrial exhibition was held at Nagpur. Mr. Low's survey was undertaken with the object of deciding which of the existing industries of the province deserved Government encouragement and to what extent the Government could render any assistance for the development of those industries. After reviewing the existing industries on such data as he could collect, Mr. Low selected some of the more important of those which appeared to have some vitality left, and were, therefore, capable of being revived and developed. The principles on which he selected these industries will appear from the following quotation from his survey:—

"The principles which have governed the selection of the particular industries which I am recommending for the assistance of the Government are the following:—

(1) That the industry should be an important one, practised by a considerable number of persons; one of which the disappearance would be a loss to the province generally, and to an important section of its industrial population in particular.

(2) That it should be one which special reasons exist for carrying on as a domestic industry.

(3) That there are items in the process of the industry that seem at first sight to admit of improvement, while maintaining its character as a domestic industry."

1224. On the above principles Mr. Low recommended Government assistance to the following cottage industries:—Weaving, pottery, brick and tile-making, tanning and leather working, oil-pressing, woollen industry, dyeing and calico printing, brass and bell metal industry, mat and basket making, cotton rope and tape making and toy-making.

1225. The only information regarding the number of people engaged in various industries is contained in the census report of 1921, but as the report of the Indian Industrial Committee says: "We desire to draw attention to the unsatisfactory means provided by the ordinary census for the collection of useful occupational statistics and to suggest the adoption of special enquiries for this object". The census occupational statisics are very unreliable.

1226. Weaving.—Weaving is the most important cottage industry in the province. Unfortunately, if the census figures can be relied on there has been a great decline in the population engaged in this industry. In Mr. Low's survey based on the figures of the census of 1901, the number of workers engaged in the handloom industry was 193,372; 184,109 in the Central Provinces and

9,263 in Berar, while on the basis of the figures, of 1921, and as a result of enquiries held by the weaving department attached to the Departent of Industries which started work in the year 1915, the number of workers engaged in the handloom weaving is now shown as being not more than 50,000. But it is possible that Sir C. E. Low's figures included dependants as well as actual workers.

1227. These 50,000 workers are scattered over some 3,000 centres. The more important centres are in the Nagpur, Chanda, Bhandara, Raipur and Bilaspur districts and in Burhanpur.

1228. It has not been possible for us to check these figures. We trust that at the approaching census the Census Department will endeavour to increase the accuracy of occupational statistics.

1229. Yarn.—Assuming that all the yarn not exported is consumed either by local mills or local handlooms weavers, the Director of Industries has prepared the following statement, which shows the amount of yarn consumed by handloom weavers and the quantity of goods manufactured by them during the last quinquennium as compared with mill-made goods and imported cloth :—

Statement showing amount of yarn consumed by handlooms and the quantity of goods manufactured by them during the last five years as compared with mill-made goods and imported cloth, etc.

Year.	Yarn consumed by handloom weavers.	Value.	Cloth produced on handlooms assuming that 100 lbs. of yarn is equal to 112 lbs of cloth.	Net imports in the province of woven goods.	Cloth produced in mills of the province.	Total consumption of cloth in the province.	Percentage of hand woven goods to total consumption of woven goods.
1	2	3	4	5	6	7	8
			Maunds.	Maunds.	Maunds.	Maunds.	
1924-25 ...	276,171	26 892 at Rs. 1-3-0 per lb.	309,312	224,610	237,176	771,176	40 1
1925-26 ...	296,026	19,772,732 at Re, 0-13-0 per lb.	331,549	227,618	237,369	796,536	41·6
1926-27 ...	247,175	15,201,262 at Re. 0-12-0 per lb.	276,836	129,420	232,410	636,866	43·2
1927-28 ...	215,357	12,140,751 at Re. 0-11-0 per lb.	241,200	282,774	234,348	758,322	31·8
1928-29 ...	134,951	7,607,862 at Re. 0-11-0 per lb.	151,145	146,798	247,135	545,078	27·7

1230. Causes of decline of the handloom industry.—The competition of mill-made goods which have largely changed the tastes and fashions of people who used the products of the handlooms, coupled with the financial difficulties under which the handloom workers are labouring explained below and the difficulties of marketing have been the main causes of the decline of the industry.

1231. That in spite of this the handloom industry has not been completely wiped out, is said to be due to the greater durability of the cloth spun on handlooms, and to the fact that silk ordered cloth which is still in vogue not only with a large number of agriculturists but also with some of the higher classes, is not yet produced by the mills.

1232. The conclusions arrived at by the Indian Industrial Commission of 1916—18 still generally hold good.

1233. "The imports from abroad and the products of 'Indian factories have been absorbed by the largely increased 'demands of the country. Nevertheless, it must be admitted that 'the condition of village artisans is far from satisfactory and that 'they are, in earning capacity at any rate, in an inferior position 'to the employees in organized factories. It must be assumed 'that cottage industries have survived, because they are so far 'adapted to the environments. The artisans produce com-'modities which are in demand and so far have not been dis-'placed by factory-made goods, and they work under conditions 'which they prefer to factory life.

"1234. It must not be imagined, however, that the artisan 'of today is wholly uninfluenced by the industrial changes of 'the past century. His methods remain the same, but in some 'instances he works with superior raw materials and in others 'with better tools. The weaver has taken to mill yarn, the dyer 'to synthetic dyes, the brass and coppersmith to sheet metal, "the blacksmith to iron rolled in convenient outturn sections, "in each case with advantage to himself from the lessened cost "of production. In some districts in Lower Bengal, the weavers "use the fly-shuttle sley extensively; and they have recently "adopted it in large numbers in the coast districts of the Madras "Presidency; while it is also gradually coming in elsewhere. The "tailors invariably employ sewing machines and the town artisans "readily take to improved tools of European or American "manufacture."

1235. Need for better marketing and credit facilities.—We are of opinion that the handloom industry has still some future, if its machinery and methods are improved, if its financial difficulties can be solved, and facilities provided to the weavers for meeting the local demands for special designs and for marketing their products.

1236. Introduction of improved sleys.—We may note in this connection that the Department of Industries started in 1915 a weaving branch with a Textile Expert and some demonstration parties for the introduction of improved sleys and other improved apparatus of weaving.

1237. The Director of Industries reports that from the year 1915 to 1929, the weaving department has been studying the difficulties of the weavers and has introduced 25,000 improved fly-shuttle sleys in 1,750 centres. The experience of the weaving department as well as our own enquiries show that these improved fly-shuttle sleys increase the output of handlooms by at least 75 per cent.

1238. The Director of Industries, who is our Vice-Chairman, however, agrees that no attention was paid to providing proper marketing facilities for the increased output.

1239. **Resulted in over production and reduction in prices.**—The result was that the over-production caused by the sleys operated to reduce the local prices of the fabrics woven and produced a reaction against improved machinery. For example, at Chanda as many as 600 fly-shuttle sleys were introduced and worked successfully. The resulting over-production, however, brought about a depression in the trade; and instead of exploring suitable marketing facilities for this increased output or of making some other profitable use of the increased leisure which these fly-shuttles might have brought to them, the weavers decided that the fly-shuttle sleys were the root cause of their trouble and in accordance with a caste resolution made a bonfire of all the fly-shuttle sleys.

1240. The instance of the Chanda town is not an isolated one. This over-production also caused the destruction of a large number of fly-shuttle sleys introduced into Nagpur town.

1241. It is only in the Chhattisgarh towns, specially at Raipur, that we find that fly-shuttle sleys have been successfully introduced in large numbers and are still working. This is chiefly due to the conservative ways of the Chhattisgarhi women who stick to their old kind of saris in preference to mill-made fabrics.

1242. Our enquiries show that the decline of the industry has also been accelerated by the hard financial conditions imposed on a class of workers for whose products the demand is so precarious.

1243. **Woes of small weavers.**—The average small weaver who works one or two looms has to contend with credit difficulties both in the beginning of this industry and as well as at the end. He purchases raw material mostly on credit and has to pay heavy interest charges though he may not realize this. The difficulties between the cash and credit prices is never less than 4 annas on a 10 lb. bundle of yarn locally known as *pura*, the average price of which is Rs. 7-12-0 in cash.

1244. The weaver has to pay Rs. 8 for this bundle which involves an interest charge of Rs. 3-3-0 per cent per month. The weaver is given to understand that he has not to pay any interest for the first month, but if the amount stands over beyond that period, as it very often does, he would be required to pay interest at a rate varying between Re. 1-4-0 to Re. 1-8-0 per cent per month.

1245. Marketing difficulties.—When the weaver has manufactured a piece of fabric after two or three days' labour, the next difficulty is the absence of any organization for the sale of his goods. He moves round from door to door if in a town, or from bazar to bazar if in a village, to sell his produce, and as he has no reserves, he has to sell for whatever price he can get.

1246. A class of middleman has resulted. These people, some of whom are also big weavers, *e.g.*, in Chanda, are willing to buy at a lower price and store goods for sale in the marriage season.

1247. Difficulties in marketing are met with everywhere and the weavers have to submit to a system by which in return for loans received the weavers bind themselves to sell their goods at a rate much below the market rate. This system is locally known as "Tagala" system and is largely in vogue in Chanda.

1248. Average monthly income of a weaver.—We refrain from going into the details of the profits of hand-weaving here as the rates of outturn and profit vary in different districts.

We find that the average net monthly income of the weaver, which is the return for the labour of the weaver and at least two other members of his family working at processes preliminary to weaving, varies from Rs. 15 in Chhattisgarh to Rs. 20 in Chanda district. The weavers turning out finer saris earn up to Rs. 35 to Rs. 40 per month, but the number of these is certainly less.

1249. In Chanda we found that in addition, many weavers also borrow money for buying yarn. For example, in Chanda town proper we were told that about a lakh of rupees is borrowed by some 25 to 30 weavers, and the rate of interest varies from 12 annas to Re. 1 per cent. The percentage of weavers who remain perpetually indebted is very large, being not less than 75 to 80 per cent.

1250. We need not dwell at length on the necessity for providing better mechanical facilities to the handloom industry. The Government Weaving Department is reported to have done a certain amount of work in this direction. The Textile Expert, as is explained above, had evolved an improved fly-shuttle suited to the local conditions of the weaving industry. There are some fabrics of course for which improved looms cannot be used. For example, the fly-shuttle cannot make solid bordered cloth, *i.e.*, cloth which has different coloured borders woven with a warp and a weft of one colour, and not with the same weft as that of the rest of the cloth.

1251. We feel, however, that the duties of the Department of Industries should not be confined to the improvement of mechanical processes. Its responsibility should extend to a general development of the industry concerned. Closer attention to the cheaper supply of raw material and the provision of marketing facilities for the finished product is essential. It is necessary that weavers should get raw material at the cheapest rate possible and have an organization which will accept their goods and advance them money against them.

1252. Co-operative shops.—The best organization for the purpose would possibly be a co-operative shop which would be willing to supply yarn and also to buy the woven fabrics on advances made against them. Unfortunately, this form of industrial co-operative credit society has not yet made much headway in this province. At present there are 28 weavers' co-operative societies in the following districts :—

1.	Saugor	17
2.	Wardha	1
3.	Hoshangabad	3
4.	Chhindwara	5
5.	Raipur	1
6.	Akola	1

None of these societies have been working well, chiefly owing to the failure to give adequate training in their co-operative responsibilities to the weaver members.

1253. There is, however, one co-operative society, namely, the Basim Weavers' Association, at Basim, in Berar, which has done very successful business in yarn on co-operative lines. The society was founded in 1921 when there were half a dozen dealers in yarn at Basim. The society has within its fold practically all the weavers of Basim and has now acquired a monopoly of supplying yarn to the local weavers at cheap rates.

As a result the private yarn dealers have closed their shops and the association has not only maintained a cheap supply of yarn to its members, but has built up a substantial reserve out of which it has spent about Rs. 15,000 on a separate building of its own.

This shows the possibilities of co-operative supply societies.

This association has not so far undertaken the co-operative marketing of the products of its members, because the local demand for the special type of fabrics produced by them has apparently continued to be steady and no special marketing difficulties have so far been experienced.

1254. Khadi Karyalaya and its method of work.—In the Chanda district we studied the working of the Khadi Karyalaya under the management of the All-India Congress Committee.

Chanda is the khaddar-producing centre for the Maharashtra Congress block extending from Poona to Gondia.

1255. The work of spinning and weaving is in progress at several centres in the Chanda district. Some 1,100 spinners and carders and some 60 weavers are employed by this organization. Cotton is advanced to the carders and spinners who are paid 4 annas per seer for carding, and 12 annas to Rs. 3 for spinning according to counts, 12 annas for yarn up to 8 to 10 counts, Rs. 3 for 24 to 30 counts, and for weaving 3 annas per yard (cloth being 36 inches in breadth). Coating, dhotis and shirting are generally produced. After the material is ready, it is handed over to 20 selling centres known as Bhandars in the same block.

1256. Our enquiries show that on an average a spinner who is a part-time worker earns Rs. 4 a month, a weaver, a whole-time worker, Rs. 22 to Rs. 25 per month and the carder working 8 hours a day 6 annas to 8 annas per day.

1257. The spinners under this system find a ready sale for their yarn and the weavers a ready market for their fabrics, and although the conditions under which the system works are rather artificial, the system certainly shows the possibility of solving the financial difficulties of weavers by proper organization. It should be noted that the initial capital of the All-India Congress Committee for this work has been received as a grant free of interest and generally very little profit is made, while in some years there is a loss.

Our enquiries at Raipur show that many of the local Momin weavers have shifted to Kamptee and are doing better business there, as Kamptee has better facilities for the disposal of their goods.

Dyeing and Calico printing.

1258. These two minor industries subsidiary to hand-weaving are not of much importance now. Small colonies of dyers still survive in most of the larger weaving centres. The industry is almost entirely dependant on hand-weaving and has suffered the same fluctuations as the latter. The dyers use synthetic German dyes which they buy from the wholesale dealers at Nagpur and other large centres. The calico printing industry is mainly found in Nimar, Wardha and Nagpur, though its most skilful experts are in Chanda and at Wun and Nandura in Berar. They generally print designs on *jazams* (carpets) and saris. Our enquiries at Chanda also show that the average monthly income of a family of dyers or printers is Rs. 20.

1259. Requirements.—The raw material is generally bought on credit at a slightly higher rate, although no further interest is charged if the bill is paid within a month after the purchase. After this the rates of interest charged by the dealers vary from 1 to 2 per cent per month. The needs of these people are, (1) cheaper capital for colours and chemicals and (2) a knowledge of fresh patterns, which will suit in a greater degree the changing tastes of the public, and (3) a more extended market.

1260. Unfortunately, effect has not yet been given to Mr. Low's suggestions for improvement in the latter direction, although a dyeing and printing expert has now been appointed (with effect from the 1st April 1928), who has started some propaganda work.

1261. It has, however, to be noted that people are using more and more the finer carpets and designs made in jails and mills, and it will not be very easy to meet this competition.

1262. Co-operative credit a suitable financing agency.—For financing this class we consider that the most suitable agency would be a co-operative organization for the supply of fabrics, dyes and chemicals on the same lines as co-operative shops for the weavers.

BRASS INDUSTRY AND BELL METAL INDUSTRY.

1263. Our separate notes of enquiry into these industries are attached as Appendices G-III and IV. The total number of workers employed in the brass, copper and bell metal industry was 13,652 at the census of 1921 and 23,007 at the census of 1911. There is thus a decline in the population engaged in this industry also, if the census figures are correct.

1264. **The brass and copper industry.**—Brass sheets are imported into the province from Bombay and Calcutta and the finished goods made are generally *gunds* (jars), and *dekchis* (cooking pots), but mostly *gunds*.

1265. No accurate statistics regarding the total volume of business are available, but the following figures of intra-provincial and extra-provincial exports and imports of the raw material and manufactured goods give an idea of its extent :—

Intraprovincial exports and imports.			Imports from outside the province.		Exported from the province.	
Total brass unwrought maunds.	Value.	Total brass manufactured.	Brass unwrought maunds.	Value.	Brass manufactured maunds.	Value.
1	2	3	4	5	6	7
	Rs.			Rs.		Rs.
1,579	74,470	14,298	42,758	19,96,763	5,059	3,08,909

It is interesting to note that manufactured brass to the total weight of 10,607 maunds and of the total value of Rs. 24,88,820 is also imported into the province.

1266. This gives an idea of the scope for expansion and improvement of the industry within the province.

1267. **System on which raw material is supplied.**—There are two systems for the supply of raw materials and finished goods in vogue, one is known as *Kachcha* (wages) system and the other is *zuzawan* system (weight for weight or equal weight).

1268. **Kachha system.**—In the former system the artisan works for wages on metal supplied to him. Brass sheets are supplied to him by way of advance and on the artisan returning the finished goods made by him out of the brass sheet, he is paid wages at the rate of Rs. 4 per maund of finished goods.

1269. **Zuzawan system.**—In the *zuzawan* system the artisan weighs his finished goods against metal sheets supplied to him by the purchaser of the finished goods, and is also paid a certain amount for his manufacturing charges.

1270. If the artisan has got ready-made articles to be weighed against unwrought brass, he is paid a little higher for his goods, but in the case of deferred *zuzawan*, the artisan gets a little less. One maund of brass sheet cost Rs. 20 and the cost of producing five *gunds*, which can be made with it, comes to about Rs. 2-8-0 and one maund of finished goods generally fetches Rs. 24 to Rs. 25. The profit left to the artisan is thus from Re. 1-8-0 to Rs. 2-8-0.

1271. Just as in the case of weavers who have to buy yarn on credit the profit left to the worker is very small. Some workers also borrow money for the purchase of brass sheets for their business from ordinary money-lenders and pay interest at the rate of Rs. 9 to Rs. 15 per cent per annum on such loans.

1272. Bell metal industry.—The bell metal industry is still flourishing at Drug and in some places of the Bilaspur and Raipur districts. The firm of Labhwasa Ramcharansa, which has its central factory at Drug, has five other smaller factories spread over the three Chhattisgarh districts. The raw material used is copper and tin, both of which are made into an alloy, the proportion being 100 tolas copper and 27 tolas tin for an alloy of 127 tolas. Copper is imported mostly from the Bombay side, specially from Poona, and the articles manufactured are chiefly *lotas*.

1273. Accurate statistics about the volume of business done are not available. In 1928 the Drug factory of Labhwasa manufactured alloy and finished goods of the total value of Rs. 40,000, and its total sales in all the six factories of Chhattisgarh amounted to 9½ lakhs of rupees.

1274. The bulk of the wares produced is disposed of in Chhattisgarh and in the neighbouring districts of the Central Provinces.

1275. Marketing and finance.—The big producers sell to small itinerant traders on credit. Goods are purchased mostly from Diwali (October) onward and the sales are effected in villages from October to May. The villagers begin to pay for the articles purchased after Holi which occurs in March. This is because the agriculturists pay out of the proceeds of their crops.

The itinerant trader has thus to give credit for four to six months and has to obtain credit from the big producers for the same period.

1276. The bell metal industry is thus closely linked up with agricultural finance.

1277. The itinerant trader has to pay interest at 1 per cent per annum. These small traders have a double charge to bear. The rate of credit sales is higher than that of cash sales. For example, a maund of metal goods is sold for Rs. 37½ in cash but for Rs. 38 on credit, and the small man has to pay the interest in addition which is ultimately shifted on to the agriculturist consumer.

1278. The industry is still in a flourishing condition though it has been to some extent affected by the recent competition of

cheaper goods from Bankura in Bengal. A bell metal *lota* made in Chhattisgarh sells at Rs. 2-8-0 per two lbs., while Bankura *lotas* sell at Rs. 1-12-0 per two lbs. The lower price of the Bankura ware is said to be due to the inferiority of its metal and to the reduction in the cost of manufacture due to the use of labour-saving machinery.

1279. The more substantial producers are in need of finance for increasing their output and for introducing labour-saving appliances. For example, the moulds, the system of heating in the furnace and hand lathes involve very laborious and costly processes, and labour-saving appliances would appreciably reduce their cost.

1280. The firm of Labhwasa has obtained financial accommodation from the branch of the Allahabad Bank at Raipur, but the terms of the advances from the Allahabad Bank are not long enough to suit the system of deferred sales according to which their wares are disposed of. They also maintain current accounts with the firms of Poona and Calcutta from which they import raw material. These firms grant them credit for a month at a time, and they have to pay interest at rates varying from 7½ to 12 per cent on balances outstanding against them.

1281. There is no reason why the larger producers should not be able to secure accommodation from the joint stock banks as advances against their goods stocked in the godown of the banks or against railway receipts for goods despatched, as the firm of Labhwasa has actually done on many occasions. Industrial banks could also help very greatly.

1282. The growing influx of aluminium ware and German silver ware is to some extent reducing the demand for the products of the indigenous bell metal industry. The effect is not yet considerable, and with improved labour-saving machinery and better credit facilities for minor dealers it is possible to improve the condition of this industry considerably.

1283. Unfortunately the Department of Industries has not so far done anything to give effect to such suggestions as Mr. Low made in his survey over 20 years ago.

1284. **Labour-saving machines.**—We understand that a brass instructor is about to be appointed by the Government for assisting the industry. In some other provinces like Bengal, Bihar and Orissa, and the Punjab certain labour-saving machines have already been secured for the metal industries, and we suggest that the Department of Industries should investigate the possibility of introducing similar improvements in our province.

TANNING AND LEATHER INDUSTRY.

1285. Tanning, along with leather working, is another important cottage industry. There were 97,265 persons engaged in the leather industry in 1921 as against 82,538 in 1911 and 96,168 in 1901. The industry is divided into three different classes, *viz.*, (1) tanners, curriers and leather dressers, (2) makers of leather

articles such as water bags, ropes, etc., and (3) boot and shoe-makers; and the persons working thereunder are—

—	1911.	1921.
1	2	3
Tanners, curriers and leather dressers	5,362	4,884
Makers of leather articles	2,642	2,472
Boot and shoe-makers	74,534	89,909

The provincial exports and imports of hides, leather, etc., in 1926-27 and in 1927-28 were—

—	1926-27.	1927-28.
1	2	3
	Rs	Rs.
Exports of hides and skins (raw)	68,117	1,30,891
Exports of leather and leather goods ...	4,728	5,327
Imports of hides and skins (raw) ...	6,012	6,623
Imports of leather and leather goods ...	10,001 (of which 6,139 wrought)	12,634 (of which 7,042 wrought)

1286. Although there has been a reaction against the demand for raw hides and the high prices prevailing during the war, the demand and prices continue to be fairly high as the figures below indicate :—

—	1926.	1927.	1928.
1	2	3	4
	Rs.	Rs	Rs.
(1) Agras	12 to 15	17 to 23	16 to 20
(2) Darbhangas	11 to 13	15 to 17	12 to 14
(3) Patnas	9 0 0 to 11 8 0	12 to 15	10 to 12
(4) Salted	8 8 0 to 9 8 0	9 8 0 to 12 8 0	9 to 11

1287. The hides of this province are classed in the above grades according to their quality; the slaughtered hides of the best quality going under Agras and the dead hides selling as Patnas and salted.

1288. The total number of hides of cattle, dead and slaughtered, available in the province annually comes to approximately 10,00,000. The province of course produces many more dead hides than slaughtered ones. The dead hides of these provinces had unfortunately a reputation for being badly preserved and having dragging marks, but these defects are reported by the Industries Department to have been much reduced as a result of the propaganda done by the leather department started by the Department of Industries in 1918, which gives demonstrations in improved flaying and curing of hides.

1289. **Financial requirements.**—The cottage worker does business on a small scale and his financial requirements are not heavy. The financial aspect of the industry is, so far as village tanners and cobblers are concerned, similar to that of most petty domestic industries. In Chhattisgarh, the village tanners are below the status in which more than the most trifling credit is obtainable. Their debt does not exceed a few rupees, except where they own land and gain a living as cultivators. They do not usually get more than one or two hides a month to tan. The town mochis in Raipur do not as a rule obtain materials on credit, and their average debt does not exceed Rs. 50.

1290. The same state of things exist in the northern districts. Things are different in the case of tanners who work on a somewhat larger scale. A tanner in Hoshangabad, who borrowed Rs. 300 to buy 140 hides for tanning, hoped to clear Rs. 200 Such a man could obtain credit owing to the lenders' knowledge of the extent of his transactions. In Saugor there are banias who regularly lend to Chamars at high rate of interest. The average capital required by the smaller town tanners is from Rs. 50 to Rs. 300. At the rate of one rupee profit on each hide such a man can clear 15 per cent on his working capital.

1291. The retail trade in ready-made shoes is a profitable one.

1292. It is difficult to bring these workers into contact with larger financial agencies.

III

Needs of cottage industries.

1293. We have given above a brief account of some of the more important cottage industries. In Chapter II of this report and in our intensive village surveys and district notes, we have discussed some of the other main subsidiary employments.

1294. Oil-pressing with the indigenous oil press is found among the Telis all over the province.

1295. Brick and tile-making and pottery is still the main source of employment to the Kumhars or potters.

1296. The making of mats, baskets and other articles from bamboo is still the ancestral profession of the Basors and kindred castes.

1297. Rope and tape making, the making of glass bangles, he making of toys, etc., etc., are other sources of employment o certain castes.

1298. Need for increased activity by Department of ndustries.—The mere fact that no accurate statistics are avail-ble regarding the extent of the various industries and the num-ıer of persons engaged in them, explains how little progress has ıeen made by the Department of Industries in this province.

1299. The special need of all industries and particularly of ınorganized industries is the creation of regular facilities for the narketing of produce.

1300. We have also made it clear that at present no ade-ıuate credit facilities for financing industries exist in this ›rovince.

1301. The indigenous financier is shy of financing enter-›rises of this kind. The money-lenders who do finance the cottage workers charge rates of interest which, though they may possibly ›e justified by the risks involved, are far greater than the profits ›f these struggling industries can bear.

1302. Industrial Commission's recommendations not carried out.—The Industrial Commission made certain proposals which have not yet been implemented. They defined clearly the staff required and they stressed the need for the provision of markets for produce of cottage industries. They made it plain that the duties of the Department of Industries must extend to the organization of marketing facilities.

1303. We have already pointed out above that the intro-duction of improved sleys among the weavers without any attempt to provide for the marketing of the increased output which in-evitably resulted, led to the public burning of these sleys in Chanda and Nagpur as being the cause of industrial depression.

1304. The financing of these industries must also clearly be one of matters to which the Department of Industries should devote its attention.

1305. We have heard the view expressed that there does not exist at present sufficient work for a whole-time Director of Industries and for this reason the office is at present amalgamated with that of the Registrar, Co-operative Societies. If this is so, it can only be due to the fact that the Industries Department has not yet attempted to extend its activities to the organization of financial and marketing facilities for the industries, for the better-ment of which it exists. The mere introduction of labour-saving devices or of improved mechanical methods can serve little purpose, when the real problems are those of finance and of providing markets for increased production.

1306. Case for the appointment of a whole-time Director of Industries.—We press for the appointment at the earliest possible

date of a whole-time Director of Industries whose efforts should be concentrated first of all on the problems of finance and marketing.

1307. Much can be done through the help of the Economic Development Board, which we advocate in Chapter XV, in collecting information and in educating public opinion.

1308. **Industrial credit and sale societies.**—It is probable that co-operative credit and co-operative supply and sales societies may still provide the main solution of the problem of finance. But the intensive and persistent training of societies in the performance of their co-operative functions which we have shown in Chapter XI to be so essential to the success of agricultural credit societies, and which has been so sadly neglected in the past, is, if possible, even more essential in the case of industrial co-operative societies. For this a proper staff is required.

1309. **Department of Industries should be responsible for their training and supervision.**—There is no reason why the training and supervising staff of industrial societies should not be under the control of the Industries Department.

1310. As regards the educational staff of agricultural societies, the Central Banks, institutes and the Government have conflicting claims. But at present it is clear that the Central Banks have no desire to undertake the responsibility for industrial primary societies and have to date made no progress in their development. They are, therefore, not likely to have any objection to the work of organization, training, and general supervision of these industrial credit societies being entrusted to the Department of Industries.

1311. We have the example of the Basim Weavers' Society as an indication of what can be achieved by an industrial co-operative society functioning on the right lines.

1312. **State Aid to Industries Bill.**—A State Aid to Industries Bill on the lines of the Bill which recently failed to materialize into law, would also give wide powers for granting credit facilities for deserving medium-sized as well as big industrial concerns.

1313. **Rural areas.**—In rural areas subsidiary industries are undoubtedly very important.

1314. **Cattle-breeding.**—One of the most important rural industries after all is cattle-breeding, although it is so universal in rural areas as to be sometimes lost sight of as an industry at all. Many landless persons, in addition to all cultivators, own cattle, including cows. The cattle graze together under the supervision of the village grazier, in the village communal waste land and breed in the village herds. They are largely neglected. Attempts are rarely made to segregate or castrate the immature or inferior bulls.

1315. Breeding is largely haphazard. In many parts of the province the cattle are underfed and depend for food on the scanty grazing available. Many die of weakness and sometimes

of starvation at the end of the hot weather and at the beginning of the rains. The old and maimed cattle cannot, according to Hindu religion, be destroyed. They are allowed to linger on until they die of old age or exhaustion.

1316. It cannot be disputed that the industry of cattle-breeding at present hardly deserves the name of an industry at all. There is unlimited scope for development of the breeding and tending of cattle, not only of plough-cattle but for dairy purposes.

1317. The subject is at present under the control of the Agricultural Department. Dairy farming and cattle-breeding must take a prominent place in any scheme of rural development. In our campaign of rural reconstruction outlined in Chapter XV the Agricultural and Veterinary Departments must combine to develop these industries in the selected villages. Time and space prevents us from working out this scheme in detail here.

1318. Poultry farming.—Poultry farming is also a simple and remunerative industry. Up to now it appears that no attempt by any department of Government has been made for its development. We should encourage all those who are not actually prohibited by old fashioned caste restrictions, to take up this simple subsidiary employment. There is a keen demand for poultry in all urban areas, which will absorb a much greater supply than is at present forthcoming.

1319. There are numerous other industries such as bidi-making, lac factories, etc., etc., alluded to above which can provide employment in many areas where employment is required.

IV

Need for industrial development in the smaller towns.

1320. Many of the smaller towns of the province, including headquarters towns, have no local industries and provide no employment beyond that arising from the marketing of the agricultural produce of the country side. Several of these towns, particularly in the north (we may cite as instances Narsinghpur, Balaghat, Seoni, etc.), are at present stagnating owing to lack of employment, and many of the population live on the bare margin of subsistence.

1321. Only a certain number of persons can be supported as grain merchants, money-lenders and shop-keepers, or as servants to these persons, and in many cases no other kind of employment exists. These towns are a drain on the country side.

1322. It is true that the pressure of the rural population on the soil has not yet generally reached the economic limit in this province. But with an ever-increasing population and an increasing pressure on the land, it is no less necessary to stimulate urban industries than to develop the resources of the country side.

1323. We feel that special efforts should be made to stimulate in all towns, particularly in those where any degree of unemployment exists, those industries which are found on enquiry to be most suited to the locality concerned.

1324. At present it is impossible for us to make more detailed recommendations. It is true that in some towns we did examine the question of unemployment and found in some places an urgent need for providing further employment.

1325. Upcountry capitalists are accustomed from time immemorial to financing the agriculturist and the marketing of agricultural produce. They are not yet prepared as a class to finance new industries which they consider do not provide adequate security.

1326. Without improved financial facilities there is no hope of progress. We may cite a specific instance which was brought to our notice. Near the town of Narsinghpur a few years ago an enterprising gentleman with experience of pottery discovered deposits of valuable fire clay of first rate quality. He acquired mining rights, and he purchased a site adjoining the town for the erection of a factory. But though he tried his best, he was unable to raise the necessary capital. As a result this fire clay is being taken by rail to Jubbulpore, where it is used in the Perfect Pottery Works for manufacturing various articles.

1327. There is no reason to doubt the success of a factory had it been started in Narsinghpur. It would have provided employment for possibly one-tenth of the total population at good wages. It would have resulted in the general prosperity and expansion of this town, but local capitalists had not the enterprise to financé a new concern of this kind.

1328. One has only to compare the condition of some of these towns with a thriving centre like Gondia, which continues daily to expand, to realize the scope for the development of local industries.

1329. **Industrial survey necessary.**—To tackle the problem, we require first of all a proper industrial survey of the various districts. It is necessary to know first of all what form of industry is likely to be successful in each town and part of the province. A persistent campaign is then required to encourage the establishment and development of such industries, though they need not necessarily be on a large scale.

1330. Finance and organization of markets is essential.

1331. **Industrial Bank necessary.**—We are agreed as to the need for industrial banks to encourage investment of capital for the financing of the industries, which the local capitalist is unwilling to finance direct at present.

1332. **Urgent need for State Aid to Industries Act.**—It is a matter of infinite regret that the State Aid to Industries Bill of 1929 was shelved owing to disagreement between the Council and the Local Government. There is urgent need for such legislation, and the Director of Industries might well be given some delegated powers under the Act, when passed, for granting direct aid to the smaller industries when necessary. We do not desire to dwell on these subjects further.

1333. As regards cottage industries we are well aware of the natural tendency for machinery to supplant hand power, and industrial history in other countries shows that the handloom and cottage industries generally are unable to face direct competition with wholesale factory production.

1334. We are, therefore, at present unable to express a final opinion as regards the future of the cottage weaver, of the handloom industry, and of other cottage industries. We incline to the opinion that a market can still be found for products of the handloom and of other cottage industries, as we have explained above.

1335. But until the Industries Department have examined the prospects of marketing increased production, of organizing markets, and of providing adequate credit facilities, it would be impossible to record a final decision, as to which of these industries have a chance of development.

1336. There appears to be wide scope in this direction for the Department of Industries co-ordinated under the Provincial Economic Development Board with honorary workers and Government servants of other departments.

1337. We are aware of the difficulties arising from religious sentiment which may attend attempts at developing the tanning industry on wholesale lines. We have the lesson of the Ratona tannery fiasco to guide us. We, therefore, hesitate to make recommendations for the development of the tanning and leather industry, though we feel that with tact and discretion much might be done in this direction also.

V

INDUSTRIES BENEFICIAL TO AGRICULTURE.

1338. **Manufacture of bone meal manure.**—In our note on Chhattisgarh we have alluded to the need for stimulating the use, and the cheap supply, of bone meal manure. Bones abound in Chhattisgarh.

1339. **Factories for producing fertilizers.**—The establishment of local factories of bone meal fertilizers in the rice tracts might eventually double the net income of the cultivators, provide employment at good wages to large numbers of the depressed classes, and increase the value of the total crop outturn by many crores of rupees.

1340. **Need for co-ordination.**—A whole-time Director of Industries and a proper staff and the establishment of a Provincial Economic Development Board appear essential.

1341. Examination of the quality of fertilizers rests with the Agricultural Department. But presumably the organization of factories to produce fertilizers would rest with the Industries Department. The financial control of industrial credit societies lies with the Registrar, Co-operative Societies. A Provincial Development Board on the lines proposed in Chapter XV seems essential to secure the necessary co-ordination of effort between these and other departments.

1342. Economic survey of districts.—With the help of all workers both honorary and paid, an economic survey of each district should be inaugurated with the least possible delay. It will then be possible to concentrate on the provision of financial assistance and on the organization of markets, for those industries found capable of development.

1343. We are aware of the view not infrequently held that the proper business of the agriculturist is agriculture, and that to divert his energies to subsidiary employment is to delay that development and improvement of agriculture, which is so urgently required. Generalizations of this kind are always dangerous. Our own enquiries show that at present a large number of cultivators hold small parcels of land the cultivation of which neither occupies their whole time, nor provides sufficient income for their maintenance. We have already dealt with this important question in Chapter II, and have explained how these persons already support themselves by subsidiary employment. We do not suggest that the cultivator with an economic holding should neglect his cultivation or diffuse his energy by taking to some other profession. But there undoubtedly do exist large numbers of persons in rural areas whose incomes can be increased by subsidiary industries without neglect of their petty cultivation.

1344. The substantial cultivator's economic position can be improved by improved methods of agriculture and by thrift and investment and by the other methods proposed by us elsewhere in this report. But the small man will always be more or less a burden on the land, unless his spare time is devoted to productive employment. It is for these persons that the development of subsidiary industries is of the highest economic importance.

1345. Financial aid to cottage industries under State Aid to Industries Bill.—It has been suggested to us that although co-operative credit and industrial banks may be found to be the best credit agencies for the smaller and medium-sized industries, there seems no reason why, under the close control of the Industries Department, the system of taccavi, which is at present confined to agriculture, should not be extended to give financial help to cottage industries. It appears to us that financial help of this nature would be available under a State Aid to Industries Act. We trust that it will be found possible to arrive at a compromise on this very important Bill, and that it will become law at a very early date.

1346. Need for industrial schools.—The need for industrial schools has also been impressed upon us. We have little to add to what has been written by the Industrial Commission. That little progress has been achieved up to now is partly due to the lack of interest shown by the general public. District Development Boards are the proper agencies for stimulating public opinion in this respect. The subject in any case appears to be somewhat beyond the scope of our enquiry.

CHAPTER X.

REMITTANCE FACILITIES AND INSTRUMENTS OF CREDIT.

1347. A.—The use of negotiable instruments—Promissory notes and cheques.—In these provinces among negotiable instruments the promissory note and the bank cheque are both quite extensively used in business, but they are hardly ever negotiated.

1348. Hundis.—The hundi is the principal instrument of credit negotiated in these provinces. There are two kinds of hundis in use, the "dhanjog" and "shahjog". In the dhanjog hundi the acceptor is authorized to make payment to the person named therein, while on the shahjog hundi payment is to be made on the drawee being satisfied as to the identity and respectability of the payee. In these provinces shahjog hundis are mostly used. Hundis are again either "darshani", *i.e.*, payable at sight or on demand, "muddati", *i.e.*, usance or time hundis.

1349. Methods of negotiation.—The seller of goods to other parts of the country draws a dhanjog hundi for the price, and those traders, who desire to remit funds to the place where the hundis is drawn, buy these hundis and send them to their adatyas in those places for collection and payment. In these provinces hundis are more often drawn upon Bombay and to a lesser extent upon Calcutta. Whether the hundi will be sold at a premium or at a discount depends on the temporary supply of and demand for such hundis in the place where they are sold. In all cases the range of fluctuation is limited by the cost of sending currency notes by insured post.

1350. Where no purchasers requiring hundis for remittance are forthcoming, the hundi is discounted locally by an indigenous banker or a commercial banker. For example, Nagpur oranges are sent principally to Calcutta, Bombay and Ahmedabad. At Nagpur hundis drawn on these places are regularly purchased, as there are numerous traders who are required from time to time to make payment at those places.

1351. But at smaller centres like Katol, the tahsil headquarters town of an orange-producing tract in the Nagpur district, there is very little demand for hundis on Calcutta and practically no demand for hundis on other up country centres. At places like Katol, then, these hundis can only be negotiated at a comparatively high rate of discount, *i.e.*, about 8 annas per cent.

1352. Our enquiries at Katol show that a Marwari banker who is in the habit of discounting these hundis does not obtain the cash upon them from his agent in Calcutta for about a fortnight. So that the discount charged represents roughly a rate of interest of about 12 per cent per annum.

1353. Hundis are sometimes bought at the close of the busy season by big shroffs who desire to remit funds to their Bombay and Calcutta agents for investment there, but as very few hundis are available at this time, most remittance of this kind is done through the commercial banks.

1354. Local agents or representatives of big cotton purchasing and other concerns, both Indian and foreign, put themselves in funds from time to time by drawing dhanjog hundis on their head offices in India and discounting them locally, or by drawing cheques on the nearest branch of the Imperial Bank of India against funds deposited or cash credit secured at their headquarters.

1355. Local branches of the Imperial Bank of India sometimes receive instructions from their Bombay head office granting a limit for cash credit for each individual concern.

1356. B.—Use of railway receipts.—The use of the railway receipt as an instrument of credit is less common than is popularly supposed. The acceptance of hundis depends on the personal credit and reputation of the purchaser concerned, and it is only in the case of men of low credit that the attachment of the railway receipt is insisted on. Such hundis are referred to as D. A. hundis, as distinct from "clear" hundis to which no railway receipt is attached. Several persons have complained to us that the Imperial Bank of India is too rigid in its insistence on the producton of railway receipts.

1357. C.—Cheques and drafts.—Cheques are extensively used by educated persons, especially for the payment of insurance premium etc., and are now being used by business people for remittance. For remittance, bank drafts are extensively used, and this in recent years has become the principal method of remittance. Indigenous bankers have complained to us that owing to the operations of the Imperial Bank of India and the Allahabad Bank they have practically lost their remittance business.

1358. D.—The reduction of duty on bills.—The stamp duty on darshani hundis has been abolished. The duty on muddati hundis varies according to the sums for which they are drawn, provided they are payable within one year. If payable after one year, the stamp duty is the same as for bonds. In these provinces, the usual period for which hundis are drawn is 61 days. Some are drawn for 121 days. The period never exceeds 12 months. In Chapter XIII we have explained that muddati hundis or usance bills are frequently used in the place of bonds for raising temporary loans. In these cases, there would seem to be no justification for making any distinction between the stamp duty on muddati hundis and on bonds although the difference at present is very great. On the other hand, bankers and traders are united in the opinion that the reduction of duty on muddati hundis wherever they are used as credit instruments for business purposes will certainly facilitate trade. It appears to us, however, that it will be very difficult to draw a distinction between the usance bills drawn on loans and those drawn for trade purposes. The majority of opinion, however, is in favour of reducing to the lowest possible rate the duty on hundis up to 61 days. It has also been suggested to us that since the abolition of stamp duty on darsani hundis, it is not always easy to recognize some hundis which are often written not over legibly on ordinary slips of paper.

1359. E.—Bearer hundis.—Bearer hundis are not in use in these provinces and the business public do not feel any need for them. In a province where dhanjog hundis are seldom used, bearer hundis are not likely to catch on. The risk attached to such an instrument is considered so great that the local business public are distinctly against its introduction in these provinces.

1360. F.—Standardization of bills.—Custom dies hard. Still there is a distinct tendency in these provinces for hundi forms, printed in Hindi, Marathi and Guzrathi to be simple. But the Marwari hundi, which is by far the most important, retains its old form. It is undoubtedly most necessary to do every thing possible to increase the currency and acceptability of hundis.

1361. Hundis should be in English as well as in the vernacular.—It has been suggested to us that the commercial banks would be ready to discount a much larger number of hundis if these were bilingual, *i.e.*, in both English as well as in the vernacular and clearly drawn up in a standardized and easily legible form. This suggestion appears to be deserving of close consideration. While a standard and simplified form would certainly be an advantage, the question, so far as Marwari hundi is concerned, is of all-India importance, and we feel nothing should be done without consulting such bodies as the Marwari Chamber of Commerce of Calcutta.

1362. G.—Amendment of the Negotiable Instruments Act.—We have received no suggestions for any amendment. The local business people are against any legislation providing that hundis and cheques drawn payable to bearer should always remain payable to bearer in spite of any endorsement by a subsequent holder. They agree with the Indian banking and commercial opinion that the holder of such an instrument should have a right to protect himself by making it payable to order. We are also of opinion that such legislation would serve no useful purpose. We agree, of course, that there is no compulsion to accept or to make use of such an instrument, but it must be remembered that shop-keepers and other trades people accept cheques in payment for goods sold even when they have no banking account of their own, on account of the ease with which a bearer cheque can be cashed. The general opinion is that if bearer cheques are made unpopular by any such legislation as has been proposed, the growth of the cheque habit will be inevitably retarded, so that such legislation would defeat its own object. It may be argued that to such persons as petty shop-keepers and tradesmen such legislation would make no difference, as they would in any case send a cheque for encashment at the earliest opportunity. But experience shows that public opinion is not always guided by reason. We feel that if a credit instrument becomes unpopular with a certain section of the business public, this may create some vague suspicion with regard to it among others, and nothing worse than this can happen to an instrument of credit.

1363. As bearer hundis are not in use in these Provinces and are not likely to come into use in the near future, such

legislation could have no appreciable effect here at present. But we think it is very likely to make such an instrument unpopular wherever it may be used.

1364. Under these circumstances, we are unable to agree with the Government of India that it would be justifiable to introduce legislation of this kind simply on the ground that at least one type of negotiable instrument would thereby always remain payable to bearer, and that a great convenience to the banking community and the commercial public would result, especially when Indian banking and commercial opinion is itself opposed to the proposal. An instrument of credit, however excellent it may be in theory, can serve no useful purpose, if the public do not like it and regard it with suspicion.

1365. H.—Other methods of remittance.—Other methods of remittance are—

(i) Transfer of specie by rail or road. This is generally done when funds are required to purchase cotton or other agricultural produce in the interior. Cash is constantly taken from Nagpur to Katol to finance purchases of cotton there. This is necessary in all other markets, where there are no branches of modern banks, specially if treasury transfers are not available.

(ii) Through Government treasuries by means of supply bills and currency transfers, between places where there are no branches of the Imperial Bank of India, or where there is no branch of the bank at the place where payment has to be made. Currency transfers are always telegraphic in even thousands of rupees and for a minimum sum of Rs. 5,000.

1366. Supply bills must be in even hundreds of rupees and the minimum limit is Rs. 1,000. The charges for such transfers are—

(*a*) For amounts of less than Rs. 10,000, 2 annas per cent;
(*b*) For amounts of Rs. 10,000 and over, 1 anna per cent; in addition to telegram charges in case of currency telegraphic transfers.

(iii) Transfers through the Imperial Bank. Under its agreement with the Government of India the Imperial Bank of India gives facilities to the public for the transfer of money between places where it has branches, at rates not exceeding those laid down by the Controller of Currency.

(iv) Transfers through other banks by means of bank demand drafts.

(v) Transfers through post offices, *viz.*, money orders and insured post. Money orders are generally for comparatively small amounts. Currency notes are sent by insured post for comparatively large amounts. With the universalization of some of the high denomination notes, insurance post facilities have shifted the work of moving specie from merchants to Government.

1367. The head office of a trading firm may send currency notes to its local buying agent and thus put the burden of finding coin on Government.

1368. One of the reasons why Government provides remittance facilities to the public is to decrease the remittance of notes through the post by the public.

1369. I.—Recommendations.—We have received various complaints to the effect that the Imperial Bank of India obtains unfair advantages from its control of the currency chest, and that the convenience and facilities which it provides to the general public are not equal to the advantages which it enjoys. We do not feel that it is necessary for us to dwell upon these questions, as they come rather within the scope of enquiry of the Central Committee.

1370. A recent change which has given rise to considerable dissatisfaction is the charging by the Imperial Bank of India of commission or discount on the encashment of cheques drawn upon one of its other branches. The system of charging discount upon cheques drawn upon banks or branches at other places, must retard the rapid development of the cheque habit.

1371. Clearing houses.—We are in favour of the introduction of a general system of clearing houses throughout the country. The bank of issue, if and when established, might be entrusted with the work of developing a system of banker's clearing houses. Such system, if properly developed, would do much to reduce the present movement of bullion and currency and remittance charges.

1372. This is a question which we feel will be dealt with very fully by the Central Committee. Any action which would result in economy in the handling of cash and a reduction in the movements of actual currency and coin would of course be an economic advantage.

1373. Need for increase in number of banks and of allowing co-operative banks to handle remittance operations.—One of the principal needs of the moment is an increase in the number of banks and bank branches, and we feel that there are no strong objections to the co-operative credit banks being allowed to handle remittance operations, particularly at places where there are no commercial banks at present.

1374. J.—Post office remittance: recommendations—Need for reduction in money order charges.—We would also recommend a reduction in money order charges. Increased business in remittance by money orders would, we feel, prevent any loss over this reduction.

1375. At present remitters usually prefer to send currency notes by registered post, and this, at present, can be cheaply done by the device of cutting currency notes into two halves and despatching the halves separately insured for a reduced sum. This custom is too common to require any further description by

1376. More extensive use of post office for remittance and collections.—The fact has recently been brought to our notice that the Postal Department is at present working at a loss, and for this reason very few new post offices in rural areas are opened, while from time to time numbers of them are closed. We feel that fuller use might be made of the post office agency for purposes of remittance and collection. There is no reason why this should give rise to any competition between the post office and the banks, as the post office business could be confined to those rural areas where no banks at present exist. It has been suggested to us that the post office should undertake some of the work of the collection on bills.

1377. Another suggestion made to us is that the post office should undertake the issue of travellers' letters of credit. The cost of the letter of credit will of course be paid by the purchaser in advance at the issuing post office, and danger of fraud could be avoided by affixing a photograph of the purchaser on the letter of credit as is done in the case of passports, together with his signature whenever he is literate. This would do much to reduce the present habit of carrying about large sums of money so common with pilgrims.

1378. Some other aspects of the case are discussed in Chapters XIII and XIV.

PART III.

CHAPTER XI.—CO-OPERATION.

I

HISTORY OF THE MOVEMENT.

1379. Origin and history of the co-operative movement.—It would serve no purpose to repeat here the oft-told story of the origin of the co-operative credit movement in India with the passing of the Co-operative Societies Act of 1904.

1380. The history of the co-operative movement in the Central Provinces and Berar has been divided into four periods :—

(I) Period of experiments	...	1904-05 to 1910-11
(II) Period of expansion	...	1911-12 to 1917-18
(III) Period of deterioration	...	1918-19 to 1922-23
(IV) Period of reconstruction	...	1923-24 up to date.

II

PERIOD OF EXPERIMENTS.

1381. Period of experiments, 1904-05 to 1910-11—Classification of societies.—The Co-operative Societies Act of 1904 classified co-operative societies as rural, urban and central. Experimental societies of each kind were established during this period, and by 1910-11 a standard form of each class had been evolved, which was adopted during the following years as the movement expanded.

(a) Rural societies.—In 1905-06 six rural societies were started in the Hoshangabad district and three in the Betul district with an individual membership ranging from 22 to 125 in the Amla Society of Betul. By 1911, 282 rural credit societies had been established with 7,203 members and a working capital of Rs. 2,48,031.

(b) Urban societies.—The first urban society was established at Wardha in 1905. Later on, a few societies of Government employees and of weavers, traders and small artisans were established. By 1912, eight urban societies had been established with a total membership of 1,247 and a working capital of Rs. 79,534.

(c) Central Societies—Opening of first Central Bank at Sihora.—In 1906-07 the first Central Bank was established at Sihora in the Jubbulpore district. This was an ordinary bank of shareholders founded to finance rural societies as a profit earning concern. In due course, however, this bank began to examine the credit limits of the societies which it financed, and investigated applications for registration by new societies, and thus started the system under which the organization, supervision, finance and general control of societies have since been in the hands of the Central Banks in this province. The Sihora Bank became the prototype of the other Central Banks of the province.

The Sihora Bank was able to establish business relations with the Allahabad Bank and the Bhargava Joint-Stock Bank which gave it cash credit, and thereby indicated the lines of future co-ordination of co-operative and joint-stock agencies.

By 1912, Central Banks had been established for financing the local rural co-operative societies at Balaghat, Hoshangabad, Harda, Betul, Akola, Sironcha, Murwara and Sihora.

III

Period of Expansion.

1382. The period of expansion—Appointment of whole-time Registrar of Co-operative Societies and amendment of the Act.—In 1912 the amended Co-operative Societies Act was passed, and this synchronized with the appointment of a whole-time Registrar of Co-operative Credit Societies, while non-official workers began to come forward in increasing numbers to assist the movement.

1383. Classification under amended Act.—The amended Act substituted for the old classification of societies into rural, urban and central, a new classification based on the nature of the liability of an individual society. The classes of societies established under the Act were—

(*a*) Agricultural primary credit societies with unlimited liability;

(*b*) Non-agricultural credit societies with unlimited liability such as weavers, brass-workers and other artisans' societies.

(*c*) Non-agricultural credit societies with limited liability such as clerk societies.

(*a*) Agricultural credit societies.—By 1911-12, the co-operative credit movement had spread to rural areas in 7 districts only but by 1917-18 primary societies had been established in all the 22 districts of the province. During this period of six years, there was a very marked expansion as is explained by the following statement :—

Year.	Number of societies.	Number of members.	Working capital (in lakhs).
1	2	3	4
			Rs.
1911-12	540	9,516	3·8
1912-13	1,365	22,797	13·4
1913-14	2,083	34,24[illegible]	25·6
1914-15	2,154	36,981	28·1
1915-16	2,412	40,998	32·6
1916-17	3,267	52,757	48·1
1917-18	3,377	55,663	57·5

1384. **Increase in societies and membership and in deposits.**—The number of societies and the number of members increased six-fold, while the working capital increased fifteen-fold. The reserve fund of societies increased during this period from Rs. 22,580 to Rs. 4,91,411 and members' deposits from Rs. 33,730 to Rs. 1,29,363.

1385. **Recoveries.**—Recoveries were, on the whole, satisfactory and the amount of overdue outstandings were relatively small, only Rs. 8,51,833 being overdue out of the total outstanding loan account of Rs. 51,82,129 on the 30th June 1916.

1386. **Symptoms of weakness in societies.**—Before the close of this period, however, some signs of weakness became visible in some of the societies and it became necessary to eliminate a certain number of defaulting and non-co-operative members.

1387. **(b) Non-agricultural credit societies with unlimited liability.**—This class included the societies of weavers, brass-workers and other small artizans. By the end of 1915-16 the number of these societies had risen to 82, but by 1917-18 at the close of the period of expansion, defects in many of these societies had become visible, due partly to the abnormal economic conditions created by the War, and partly also to the inaptitude and lack of co-operative spirit on the part of members. Some of the societies were broken up and by the end of 1918 their number had fallen to 66 with a total membership of 932 persons and a working capital of Rs. 51,312.

1388. As was brought to the notice of the Royal Commission on Agriculture, the co-operative credit movement in the Central Provinces and Berar has never made much progress in urban areas, and has been confined almost entirely to work among agriculturists in rural areas. The Registrar of Co-operative Credit Societies, who is also our Vice-Chairman, attributes this to the fact that the dwellers in urban areas are less amenable to co-operative organization and less reliable in their financial dealings than the agriculturists. It appears, however, that from the beginning, the workers in the co-operative movement in this province concentrated their efforts on giving financial relief and providing credit facilities to agriculturists, whose claims were considered to be more urgent.

1389. **(c) Non-agricultural societies with limited liability.**—These societies, which consist mainly of societies of clerks and Government servants, made a little headway. By 1918 they were 6 in number with a membership of 766 persons and a working capital of Rs. 1,00,561.

1390. **Central Banks—Increase in number of Central Banks due to increase in number of societies.**—The rapid increase in the number of co-operative credit societies in all districts in the province resulted in the establishment of more financing agencies, and by 1918 at the close of this period the number of Central Banks had increased from 8 to 32 by which time every district had at least one Central Bank. Up to 1916-17 these Central Banks were under the sole control of their shareholders.

1391. The byelaws were then altered to enable primary societies to be represented in the management of the Central market.

1392. In 1912-13 the system of requiring society members to purchase shares in their Central Bank was introduced, while in 1915-16 it was laid down that one-fourth of the members of societies must be represented at a meeting of the central bank to ensure a quorum.

1393. **The Provincial Bank: establishment of Provincial Bank.**—The credit and resources of the individual central banks varied considerably, and while some began to accumulate considerable surpluses others found themselves handicapped by a lack of capital. It was also considered to be necessary to establish some organization for linking up the central banks with the money market.

1394. To co-ordinate the reserve of individual Central Banks, and to provide a general link with the money market, a provincial co-operative bank was established in 1911-12.

1395. In the beginning it handled no cash, but gradually extended its operations to general banking business, and was recognized as the apex co-operative bank of the province.

1396. Under the new system, all reserves and surpluses of the Central Banks were transferred to the Provincial Bank, which was required to keep adequate cover for them. The Provincial Bank thus became the central or reserve bank for the co-operative movement.

1397. Originally the management of the Provincial Bank was in the hands of its shareholders, but in 1917-18 preference shares were issued, for taking up which the reserve funds of Central Banks and primary societies were applied. By this means the Central Banks and societies acquired an ultimate controlling influence in the directorate of the Provincial Banks.

IV

Period of deterioration.

1398. **The period of deterioration, 1918-19 to 1922-23—Causes leading to failure of the co-operative movement.**—Although this period has been generally described as the period of deterioration, it would be more correct to describe it as the period in which the latent defects and mistakes made, became prominent owing to a resulting financial crisis. The main causes of the so-called deterioration have been described as unfavourable economic conditions resulting from the War and crop failures, the abnormal rise in land values and in the prices of agricultural produce, and the failure by co-operative workers to realise the artificial and temporary nature of the sudden expansion in values, or to estimate accurately the real paying capacity of borrowers. The policy of expansion was vigorously, and often recklessly pursued without adequate examination of the ultimate paying capacity of borrowers, without adequate education in the principles and

meaning of co-operation, and without adequate supervision of the working of societies. The following statement will explain the rapid expansion during this period :—

Year.	Number of societies.	Members.	Working capital (in lakhs).
1	2	3	4
			Rs.
1918-19	3,871	62,612	69
1919-20	4,421	71,039	93
1920-21	4,535	73,879	125
1921-22	4,496	73,112	122
1922-23	4,416	70,820	281

During four years the amount of working capital increased from Rs. 69 lakhs to Rs. 128 lakhs. The necessity for rigid collection of outstandings and the need for instilling the spirit of prompt repayment which is one of the main tenets of co-operation, were overlooked; and during this period the amount of overdues was allowed to increase although in the last two years good harvests must have yielded substantial surpluses. Between 1917-18 and 1922-23 the amount of overdue loans was allowed to increase from 8.5 to 43.1 lakhs. There were certain other obvious signs of internal weakness, *e.g.*—

(1) the tendency of solvent members to repay advances and to sever their connection with the movement;
(2) the absence of demand for fresh loans;
(3) cases of embezzlement and misappropriation by secretaries and sir-panches of primary societies, and
(4) lack of a co-operative spirit in the soieties themselves, and their consequent reluctance to take and execute awards against defaulting members.

Some of the witnesses who appeared before us have given some interesting information with regard to the methods adopted in this period of expansion. Khan Bahadur K. E. J. Sanjana, Deputy Commissioner of Bhandara, a revenue officer of many years' experience, described to us how during that period he once founded 14 co-operative credit societies in one night. Rao Bahadur K. V. Brahma, C.I.E., one of the members of our Committee, has explained to us the manner in which the need for rapid formation of new societies and for wholesale expansion was impressed on honorary workers by the Registrar of that period. It appears also that the view was held in some responsible quarters, that it was necessary, for the purpose of educating society members in the real principles of co-operation, to rely upon them as true co-operators to repay outstanding debts, and that any attempt at rigid collection of amounts not voluntarily offered would be prejudicial to the development of the true co-operative spirit.

1399. Non-agricultural credit societies with unlimited liability.—The majority of these societies appear to have been founded on an unsatisfactory basis, and there was a continued deterioration

in this branch of the movement as will be seen from the following statement :—

Year.	Number of societies.	Members.	Working capital	Overdue.
1	2	3	4	5
			Rs. in lakhs.	Rs. in lakhs.
1918-19	64	1,507	50	15
1919-20	58	769	48	...
1920-21	59	749	51	...
1921-22	39	717	49	...
1922-23	46	571	38	20

1400. Non-agricultural credit societies with limited liability.—During the period only one new society was formed, but the membership increased from 763 to 2,279 and the working capital from Rs. 89,000 to Rs. 2,36,000.

1401. Central Banks.—The number of Central Banks remained unchanged throughout this period, but the policy of over-rapid expansion, which included the wholesale formation of new societies and the reckless advancing of further loans without any serious attempt at recovering outstandings, produced a crisis in 1920-21 when the Provincial Bank, as is explained below, suspended payment and 24 out of the 34 Central Banks were compelled to seek financial assistance from the Government to enable them to carry on their business.

1402. Provincial Bank.—The policy of excessive and reckless expansion, which is stated to have been largely the result of the influence of the Federation alluded to hereafter, compelled the Central Banks to draw upon the cash credits granted to them by this Provincial Bank and produced a crisis in 1919-20. The following extract from the Local Government's resolution on the Registrar's report for the year 1920-21 is self-explanatory :—

"Not only was the number of members greatly increased, but the average loan required by each member was much larger, owing to the high level of prices and other causes. In attempting to meet this heavy demand from societies for extra capital, the Provincial Bank had reduced to a dangerously low percentage the fluid resource held for the repayment of short-term deposits.

By October 1920, the Provincial Bank had exhausted its fluid resource, held for the protection of the credit organization as a whole, and was unable to finance the Central Banks. The reserve fund of the Provincial Bank had also been utilized in ordinary business, and was thus not available to perform its proper function.

The result of this neglect to observe two cardinal principles of sound banking was that the Provincial Bank found itself unable to take its allotted part in the financing of the

co-operative movement. A crisis arose owing to the severe failure of crops and consequent famine. Recoveries of advances could not be made by societies, funds were not available for the repayment of due deposits and no resources were available for the grant of advances for the next season's requirements of members.

In January 1921 the Registrar acting upon orders issued by the Local Government on a report submitted by him, convened and presided over a special meeting of the Federation Congress, and at that meeting a resolution was passed invoking Government aid.

2. The help given by Government has taken two forms. In the first place it was necessary to provide the banks with a fluid resource, in order to repay depositors and restore public confidence, and this was found in the shape of a cash credit to Government by the Imperial Bank of India. This account has, at first, to be drawn on to the extent of Rs. 3,52,344. At this point the tendency to withdraw deposits was checked, and a judicious increase in rates of interest soon brought in fresh deposit money. The increased rates to depositors had to be met by an increase of the rate on loans to societies. On such loans most of the Central Banks have adopted the 15 per cent rate recommended by the Registrar; but it is a matter for regret that some banks have chosen to adhere to the 12 per cent rate.

These banks are doing business on too narrow margins and their profits will be so small as greatly to prolong the period within which the restoration of the fluid resources must be made.

Notwithstanding this fact, the credit movement as a whole has displayed considerable buoyancy, and about Rs. 6 lakhs are now held in the fluid resource account.

3. The second form of Government assistance is the provision of a sum of Rs. 19 lakhs to be utilized in giving loans to members of societies on the guarantee of the societies as corporate bodies on behalf of their members. A definite part has been assigned to Central Banks in the working arrangements made for the distribution of such loans. In general, the policy of Government has been to tide the societies over the dislocation of co-operative business, caused by the Provincial Bank's failure to supply capital, without any breach of the Agriculturists' Loans Act and the rules thereunder, and without avoidable derangement of the procedure followed by Central Banks in their ordinary business. Out of the Rs. 19 lakhs, Rs. 11,52,000 have been used to meet the needs of members of societies."

The gesture made by Government, which was naturally interpreted by the public as an implied Government guarantee of the solvency of the banks, did more than any thing else to restore the confidence of depositors. The withdrawal of deposits ceased, and the amount of capital received on deposit began rapidly to increase. The financial solvency of the Provincial Bank was restored by 1923.

in this branch of the movement as will be seen from the following statement :—

Year.	Number of societies.	Members.	Working capital	Overdue.
1	2	3	4	5
			Rs. in lakhs.	Rs. in lakhs.
1918-19	64	1,507	50	15
1919-20	58	769	48	...
1920-21	59	749	51	...
1921-22	39	717	49	...
1922-23	46	571	38	20

1400. Non-agricultural credit societies with limited liability.—During the period only one new society was formed, but the membership increased from 763 to 2,279 and the working capital from Rs. 89,000 to Rs. 2,36,000.

1401. Central Banks.—The number of Central Banks remained unchanged throughout this period, but the policy of over-rapid expansion, which included the wholesale formation of new societies and the reckless advancing of further loans without any serious attempt at recovering outstandings, produced a crisis in 1920-21 when the Provincial Bank, as is explained below, suspended payment and 24 out of the 34 Central Banks were compelled to seek financial assistance from the Government to enable them to carry on their business.

1402. Provincial Bank.—The policy of excessive and reckless expansion, which is stated to have been largely the result of the influence of the Federation alluded to hereafter, compelled the Central Banks to draw upon the cash credits granted to them by this Provincial Bank and produced a crisis in 1919-20. The following extract from the Local Government's resolution on the Registrar's report for the year 1920-21 is self-explanatory :—

> "Not only was the number of members greatly increased, but the average loan required by each member was much larger, owing to the high level of prices and other causes. In attempting to meet this heavy demand from societies for extra capital, the Provincial Bank had reduced to a dangerously low percentage the fluid resource held for the repayment of short-term deposits.
>
> By October 1920, the Provincial Bank had exhausted its fluid resource, held for the protection of the credit organization as a whole, and was unable to finance the Central Banks. The reserve fund of the Provincial Bank had also been utilized in ordinary business, and was thus not available to perform its proper function.
>
> The result of this neglect to observe two cardinal principles of sound banking was that the Provincial Bank found itself unable to take its allotted part in the financing of the

co-operative movement. A crisis arose owing to the severe failure of crops and consequent famine. Recoveries of advances could not be made by societies, funds were not available for the repayment of due deposits and no resources were available for the grant of advances for the next season's requirements of members.

In January 1921 the Registrar acting upon orders issued by the Local Government on a report submitted by him, convened and presided over a special meeting of the Federation Congress, and at that meeting a resolution was passed invoking Government aid.

2. The help given by Government has taken two forms. In the first place it was necessary to provide the banks with a fluid resource, in order to repay depositors and restore public confidence, and this was found in the shape of a cash credit to Government by the Imperial Bank of India. This account has, at first, to be drawn on to the extent of Rs. 3,52,344. At this point the tendency to withdraw deposits was checked, and a judicious increase in rates of interest soon brought in fresh deposit money. The increased rates to depositors had to be met by an increase of the rate on loans to societies. On such loans most of the Central Banks have adopted the 15 per cent rate recommended by the Registrar; but it is a matter for regret that some banks have chosen to adhere to the 12 per cent rate.

These banks are doing business on too narrow margins and their profits will be so small as greatly to prolong the period within which the restoration of the fluid resources must be made.

Notwithstanding this fact, the credit movement as a whole has displayed considerable buoyancy, and about Rs. 6 lakhs are now held in the fluid resource account.

3. The second form of Government assistance is the provision of a sum of Rs. 19 lakhs to be utilized in giving loans to members of societies on the guarantee of the societies as corporate bodies on behalf of their members. A definite part has been assigned to Central Banks in the working arrangements made for the distribution of such loans. In general, the policy of Government has been to tide the societies over the dislocation of co-operative business, caused by the Provincial Bank's failure to supply capital, without any breach of the Agriculturists' Loans Act and the rules thereunder, and without avoidable derangement of the procedure followed by Central Banks in their ordinary business. Out of the Rs. 19 lakhs, Rs. 11,52,000 have been used to meet the needs of members of societies."

The gesture made by Government, which was naturally interpreted by the public as an implied Government guarantee of the solvency of the banks, did more than any thing else to restore the confidence of depositors. The withdrawal of deposits ceased, and the amount of capital received on deposit began rapidly to increase. The financial solvency of the Provincial Bank was restored by 1923.

V

Period of reconstruction.

1403. Period of reconstruction from 1923-24 up to date—Measures adopted for improvement of societies and banks and formation of new societies.—The period since 1923-24 has been described as a period of re-organization and reconstruction. The movement had never been successful among urban artizans and weavers as has already been explained, while the condition of the rural credit societies in most districts indicated first of all the need for great caution with regard to further registration in the immediate future.

1404. The policy of caution in the registration of new societies, is shown by the following statement :—

Year.	New societies registered.
1923-24	... 26
1924-25	... 69
1925-26	... 120
1926-27	... 173
1927-28	... 190
1928-29	... 174
Total	... 752

The work of consolidation which has been in progress since 1923-24 has included—

(1) the reorganization of societies that were not beyond hope of redemption;

(2) the taking of awards against, and the cancellation and liquidation of the bad societies.

The reorganization has included—

(*a*) the refixation of instalments for repayments;

(*b*) the provision of fresh finances when this has been found to be necessary and to be justified by the paying capacity of members;

(*c*) the weeding out of defaulters; and

(*d*) the enrolment as far as possible of fresh members of good moral and material credit.

Although the need for reorganization was admitted by all the Central Banks, this work was not taken up on a serious scale until 1925-26. The following statement shows the number of societies reorganized during the last 4 years :—

Year.	Number of societies reorganized in	
	Central Provinces.	Berar.
1	2	3
1925-26	776	58
1926-27	584	70
1927-28	325	96
1928-29	184	30

1405. The amount of liquidation of lifeless societies carried out since 1922 is shown by the following statement :—

Year.	Number of societies under awards.	Liquidation.
1	2	3
1922-23	521	163
1923-24	653	284
1924-25	702	357
1925-26	574	480
1926-27	579	608
1927-28	511	768
1928-29	140	140

1406. Two welcome innovations in recent years have been—

(1) the application of the reserve funds of societies to reducing the rates of interest charged to them, and

(2) the conversion of non-share into share societies, and the establishment of new share societies.

The question of the reserve fund and the new scheme recently introduced are discussed hereafter. It may be briefly explained as follows :—

On formation the rate of interest charged to societies by Central Banks has formerly been 9 per cent. But individual members of societies pay 12 per cent interest to the society. The surplus after deducting working expenses was intended to accumulate for the rapid formation of a reserve fund of the society, in the hope that in due course the society would become financially independent, and would be able to finance the requirements of members from its own resources. Under the new scheme where the reserve fund of a society has reached more than 20 per cent of the working capital, the rate of interest charged to it by the Central Bank is reduced to 7 or 8 per cent, according to the amount of reserve, with a corresponding reduction in the amount of interest charged to members.

The share society may be explained briefly as follows :—

In 1912-13 it was laid down that each member of a society should take a share in the Central Bank, that is to say, that out of Rs. 100 advanced to a member Re. 1 was deducted for investment in a share in the Central Bank. The object of this rule is said to have been, partly to encourage the thrift habit, and partly to enable the primary society eventually to obtain a controlling interest in the Central Banks. Curiously enough, however, individual members were not required to take a share or to deposit any sum with the society itself. Under the revised scheme the individual members take a share in the society.

1407. During the recent period known as the period of reconstruction, *i.e.*, between 1923-24 and 1928-29, the total number of co-operative credit societies has been reduced from 4,263 to 851, while the number of members has fallen from 70,820 to 17,320. The Registrar reports that it would be a mistake to

imagine that the co-operative movement has lost in strength b these reductions. What it has lost in quantity it has gained i quality. During the last two years the total number of member has increased, and the general policy of enrolling new member in the well-conducted societies continues.

1408. Societies under Reserve fund scheme.—The followin statement shows the number of societies to whom the reserv fund scheme has been applied and the number of new shar societies :—

Serial No.	Name of Central bank (district is put in italic characters).	Number of Reserve Fund Scheme Societies.		Number of share societies.	
		Per Bank.	Per District.	Per Bank.	Per District.
1	2	3	4	5	6
1	*Nagpur* ...	31	31	26	26
2	*Bhandara* ...	47	47	5	5
3	Brahmapuri *Chanda* ...	45	52	26	40
4	Warora ...	7	...	14	...
5	*Wardha* ...	12	12	13	13
6	*Balaghat* ...	...	...	...	...
7	*Jubbulpore* ...	66	229	77	155
8	Sihora ...	129	...	21	...
9	Murwara ...	34	...	57	...
10	*Saugor* ...	37	37	...	...
11	*Damoh* ...	17	17	1	1
12	*Mandla* ..	16	16	19	19
13	*Seoni* ...	27	27	28	28
14	*Hoshangabad* ...	26	72	6	28
15	Harda ...	...	...	9	...
16	Sohagpur ...	46	...	13	...
17	*Betul* ...	29	29	10	10
18	*Nimar* ...	...	...	25	25
19	*Narsinghpur* ...	92	92	44	44
20	*Chhindwara* ...	...	...	20	20
21	*Raipur* ...	84	84	134	134
22	*Bilaspur* ...	111	111	90	90
23	*Drug* ...	54	54	32	32
	Total Central Provinces	910	910	670	670
24	*Amraoti* ...	...	...	6	33
25	Ellichpur ...	...	...	14	...
26	Morsi ...	...	...	8	...
27	Daryapur ...	...	...	5	...
28	*Yeotmal* ...	...	...	16	16
29	Pusad ...	...	...	...	...
30	*Akola* ...	14	14	5	5
31	*Buldana* ...	...	3	...	...
32	*Khamgaon* ...	...	...	25	53
33	Mehkar ...	3	...	15	..
34	Malkapur ...	...	...	13	...
	Total Berar ...	17	17	107	107
	Total Central Provinces and Berar.	927	927	777	777

1409. Non-agricultural credit societies with unlimited liability.—The result of attempts at reorganization of these societies of weavers and artizans is explained by the following statement :—

Year.	Number of societies.	Number of members.	Working capital.	Overdues.
1	2	3	4	5
			Rs.	
1923-24	38	452	32,666	22,270
1924-25	27	349	23,408	11,857
1925-26	26	341	22,432	10,958
1926-27	26	359	23,910	7,166
1927-28	33	476	32,486	8,057
1928-29	38	528	32,199	9,866

1410. Central Banks.—By the end of 1924-25 the advances taken by Central Banks from Government in the crisis of 1920-21 had been repaid. It will be correct to state that there has been an increasing realization on the part of directors of Central Banks of the fact that neglect of sound business principles in banking must inevitably result in disaster, and in many parts of the province the work of reorganization and recovery of old debts has been pushed on. The work of financial reorganization is reported by the Registrar to be now almost complete in the Central Banks of Raipur, Bilaspur, Drug, Bhandara, Brahmapuri, Warora and Wardha.

1411. The work of reconstruction and reorganization in the Jubbulpore Division has been greatly hampered by the successive crop calamities of recent years. In the recent scarcity the Saugor Central Bank supplied Government with a list of members requiring advances with a request that taccavi advances should be made to them, as the bank itself was not in a position to make them.

1412. The Registrar reports that provision is now being regularly made for bad and doubtful debts, and that unrealizable interest is always deducted from profits before dividends are declared.

1413. Regular accounts are now kept and statements showing the financial position are submitted monthly to the Registrar. The Registrar also reports that the Central Banks are in many cases reducing rates of interest charged to societies.

1414. Provincial Bank.—The Provincial Bank has not only regained financial stability, but is in fact now faced with the problem of investment of its surplus funds. The Provincial Bank is making steady efforts to reduce further the rate of interest which it pays on deposits and which it charges on loans.

VI

PROGRESS MADE WITH REFERENCE TO THE FINANCIAL NEEDS OF AGRICULTURISTS, SMALL TRADERS AND INDUSTRIALISTS.

1415. It will be clear from the above brief historical sketch that up to now practically nothing has been achieved by the movement to meet the financial needs of small traders and industrialists.

1416. As regards the financial needs of the agriculturists, we have already pointed out that there at present exist 3,787 rural primary co-operative credit societies in the Central Provinces and Berar, with a total membership of 57,320 persons, and that the total amount of loan now outstanding due from members amounts to Rs. 1,35,90,333 or to a little over 3 per cent of the total provincial agricultural debt. These statistics, however, require some further explanation.

1417. Uneven distribution of societies.—The societies are not evenly distributed throughout the province. In some villages, there are more than one society, while in many villages and in some whole tahsils, *e.g.*, in Chanda tahsil, no societies have yet been established.

1418. Out of the total number of societies in existence, the following statement shows the number who took no further advances in recent years :—

Year.	Number of societies in Central Provinces and Berar.	Number that did not take loans from Central banks.
1	2	3
1923-24	4,263	2,738
1924-25	4,142	2,453
1925-26	4,071	1,918
1926-27	3,966	1,820
1927-28	3,891	1,532
1928-29	3,787	1,458

The fact that a large number of societies took no loans from the Central Banks in these years does not mean that they had reached a state of financial independence, enabling them to finance their own members without assistance from outside. In the annual report of the Registrar for the year 1924-25, we find the following :—

> "About one-third of the total number of societies in the Central Provinces, exist merely for the repayment of old debts, and have practically ceased to be financed by the co-operative movement."

1419. Although increasing attention is now being paid to the duty of prompt recovery of arrears, a considerable amount of the total advances now outstanding as a matter of fact consists of overdue arrears and accumulated interest, and although we are glad to see a reduction from year to year in the number of societies which exist merely for the repayment of old debts, it is necessary in considering the progress achieved in meeting the financial requirements of agriculturists, to explain that a considerable proportion of the total number of rural primary societies are not functioning as credit agencies, and that the total amount of new advances made to society members to meet their current requirements is considerably less than the total amount of loan outstanding, as is shown by the following statement:—

Year.	Total arrears (overdue and renewals)	New advances.	Total working capital.	Total outstanding.
1	2	3	4	5
			Rs.	
1922-23	43,11,768	...	1,27,62,195	...
923-24	59,55,989	...	1,21,13,118	...
924-25	50,67,102	35,06,501	1,35,39,518	1,15,00,875
925-26	66,42,827	29,76,332	1,55,90,729	1,32,28,267
926-27	49,47,122	29,08,037	1,58,71,045	1,34,31,121
927-28	58,39,459	31,19,894	1,62,09,459	1,37,43,932
928-29	53,26,383	31,37,008	1,62,46,777	1,35,90,353

It will be seen that out of Rs. 1,35,90,333 loans outstanding, Rs. 53,26,383 or 39 per cent consist of renewals or overhe arrears.

1420. Rates of interest.—In considering the degree to which the co-operative credit movement has met the financial needs of agriculturists, the question of interest charges is of considerable importance. The normal rate of interest charged by the Central Bank to the primary societies is 9 per cent, who, normally charge 12 per cent on advances to individual members. We have explained above, however, that in 927 societies out of a total number of 3,787 primary societies, the rate of interest charged to members has been reduced, by the application of the reserve fund scheme, from a normal rate of 12 per cent to rates varying between 9 and 11 per cent.

1421. On the other hand, however, there still exist a few societies in which the rate charged by societies to members is 15 per cent.

1422. The reserve fund scheme has been introduced relatively recently and we trust that it will be fully applied at the earliest possible date.

1423. The following statement shows the various rates of interest charged to societies and to members :—

Serial No.	Name of Central Bank (Districts are italicized).	Rates of interest on loans to societies.		Rates of interest on loan to members.	
		Per Bank.	Per District.	Per Bank.	Per District
1	2	3	4	5	6
		Per cent.	Per cent.	Per cent.	Per cent.
1	*Nagpur* ...	8½ and 10	8½ and 10	9 to 12	9 to 12
2	*Bhandara* ...	10	10	9 to 12	9 to 12
3	Brahmapuri (Chanda)	10	9½ and 10	9 to 12	9 to 12
4	Warora ...	9½	...	12	...
5	*Wardha* ...	8 to 12	8 to 12	10 to 15	10 to 15
6	*Balaghat* ...	10	10	12	12
7	*Jubbulpore* ...	9	9 and 10	12	8½ to 12
8	Sihora ...	10	...	9 to 12	...
9	Murwara ...	10	...	8½ to 12	...
10	*Saugor* ...	9	9	7 to 12	7 to 12
11	*Damoh* ...	9	9	10 to 12	10 to 12
12	*Mandla* ...	10	10	13	13
13	*Seoni* ...	9	9	9 and 12	9 and 12
14	*Hoshangabad* ..	10	10	9 to 12	8 to 12
15	Harda ...	10	...	12	...
16	Sohagpur ...	10	...	8 to 12	...
17	*Betul* ...	10	10	12	12
18	*Nimar* ...	9 to 11	9 to 11	12 and 13	12 and 13
19	*Narsinghpur* ...	9	9	8 to 12	8 to 12
20	*Chhindwara* ...	9 and 10	9 and 10	12 to 18¾	12 to 18
21	*Raipur* ...	9	9	12	12
22	*Bilaspur* ...	10	10	9½ to 12	9½ to 12
23	*Drug* ...	10	10	9 to 12	9 to 12
	Total for Central Provinces.	8 to 12	8 to 12	7 to 18¾	7 to 18
24	*Amraoti* ...	7½ to 12	7½ to 12	9 to 12	9 to 15
25	Ellichpur ...	10	...	12	...
26	Morsi ...	8 to 11½	...	9 to 14½	...
27	Daryapur ...	9 to 12	...	11 to 15	...
28	*Yeotmal* ...	7½ to 12	7½ to 12	9½ to 12½	9½ to 12
29	Pusad ...	9	...	12	...
30	*Akola* ...	8	8	9½ to 11	9½ to 11
31	*Buldana* ...	10 and 12	12	12 and 15	11 to 15
32	Khamgaon ...	10	...	12	...
33	Mchkar ...	10 and 11	...	11 and 14	...
34	Malkapur ...	10	...	12	...
	Total for Berar ...	7½ to 12	7½ to 12	9 to 15	9 to 15
	Total for Central Provinces and Berar.	7½ to 12	7½ to 12	7 to 18¾	7 to 18

1424. Necessity for reduction in rates of interest.—We have stressed the point elsewhere that the early reduction of the present high rates of interest is one of the most urgent needs of agricultural finance in this province, and as long as it is found necessary to charge 12 per cent interest on the joint and unlimited liability of the members of a society, it cannot reasonably be expected that other financial agencies will reduce their interest charges to individuals on personal security without collateral. Several money-lenders in Berar informed us that as long as 12 per cent interest was charged by the co-operative credit society on joint and unlimited liability, there was no reason why they should reduce the rates charged on individual liability below 15 per cent. The view has also been expressed that the rates of interest charged by the co-operative credit societies in Berar on the joint and unlimited liability of members, who after all have good material credit resulting from their rights of transfer in the valuable property they hold, is one of the main causes of the generally high rates of interest at present prevailing there. We are not prepared to go so far as to agree with this view, but it cannot be denied, as we have explained in a separate note on Berar, that 12 per cent is a high rate of interest to charge on the joint and unlimited liability of persons holding valuable transferable property.

1425. Causes of maintenance of high rates of interest.—We do not consider that we should be justified in commenting on the internal management of Central Banks. There are undoubtedly a number of reasons which have delayed the reduction of interest charges. There are still many arrears outstanding. In many banks the rates of interest paid upon deposits, have recently been and are being reduced, but during the present period of reorganization and reconstruction the resources of many of the Central Banks have grown beyond the immediate requirements for financing their societies. That is to say, that there is at present in some cases a temporary over-capitalization. These and other causes have contributed to the maintenance of interest at a relatively high rate. We sincerely trust that all obstacles to the rapid reduction of interest charges will be removed as early as possible, and wherever scope exists for improving the methods of business, the necessary improvements will be introduced.

1426. Concentration of loans in hands of big borrowers.—In addition to the fact that a considerable portion of the total loans outstanding consists of accumulated interest and old arrears, a large proportion of the total sums advanced is due from a small number of big borrowers. In the annual report for 1927-28, the Registrar complained as follows:—

> "The concentration of loans in the hands of a few members is a very unsatisfactory feature in Berar, and about 22 per cent of members owe about 65 lakhs of rupees, the remaining 78 per cent owing Rs. 24 lakhs. The constitution

of societies in Berar appears to be fundamentally unsound, in that the majority of them consist of a few big members and a large number of small cultivators. The big man has often absorbed large sums and is usually a defaulter."

In some cases these big men have become rural directors.

1427. **Conclusions.**—In considering, therefore, the progress made with reference to the financial needs of agriculturits, small traders and industrialists, we may sum up as follows:—

(1) As regards small traders and industrialists, practically nothing has been done up to now.

(2) As regards the financial needs of agriculturists, co-operative credit societies now existing in rural areas number 3,787. Of these, in 1928-29, 1,458 societies did not take any loans and exist only "for the repayment of old debts". There are in all 42,821 villages in the Central Provinces and Berar. In some villages, there are more than one co-operative credit society and there is not at present a society in more than one-fifteenth of the villages of the province. The total number of members at present is 57,320. The total number of families of rent-paying cultivators and landlords in the province is 1,380,801, while the total number of families of all kinds dwelling in rural areas is 2,733,660. That is to say, that only 4.25 per cent of the families of cultivators and landlords at present contain a member of the co-operative credit society, while 2.10 per cent of all the families dwelling in rural areas have a member of a co-operative society. The total amount of loans at present outstanding is Rs. 1,35,90,333, the average loan per member being Rs. 237. The total amount of loans outstanding from members represents 3 per cent of the total agricultural indebtedness. Of this, Rs 53,26,383 or 39 per cent consists of overdue arrears and accumulated interest.

(3) This money is, however, as is explained above, not evenly divided. We have not thought it necessary to examine the figures for all the banks of the province: but, as is already pointed out in Berar in 1927-28, 22 per cent of the total members owed 65 lakhs of rupees, while the remaining 78 per cent owed only 24 lakhs of rupees.

1428. The marshalling of these facts will give a fairly clear idea of the extent to which the co-operative credit movement at present meets the financial needs of the agriculturists of this province. As regards the question of meeting the financial needs of agriculturists, it is also necessary to point out that owing to the need for reorganization and training of primary societies the scope for expansion in the immediate future must be considerably restricted.

IX

1429. Statistics of working capital and deposits and loans both for short and long periods.—

Name of Central Bank.	Share capital paid up.	Loans and deposits held at the end of the year from				Reserve and other funds.	Working capital
		Societies.	Provincial or Central Banks.	Government.	Individual and other sources of deposits.		
1	2	3	4	5	6	7	8
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Nagpur ...	76,905	80,726	...	...	4,14,885	92,935	6,95,451
Bhandara ...	45,234	53,127	...	...	1,32,973	65,731	2,97,365
Brahmapuri ...	42,112	34,496	1,077	...	1,02,561	31,620	2,11,866
Warora ...	25,897	33,979	...	...	1,42,900	35,985	2,38,761
Wardha ...	53,245	36,267	...	...	2,56,691	41,708	3,87,911
Balaghat ...	87,917	1,35,744	30	89	1,68,726	2,42,218	6,34,724
Jubbulpore ...	41,970	77,772	45,485	...	3,68,560	37,567	5,71,654
Sihora ...	77,685	2,22,401	4,26,024	21	3,02,127	1,14,676	10,42,934
Murwara ...	19,428	38,004	1,08,629	...	90,744	26,440	2,83,245
Saugor ...	47,295	58,985	5,087	...	1,57,978	63,717	3,33,062
Damoh ...	51,435	58,684	480	...	2,28,140	50,099	3,88,838
Mandla ...	25,556	23,880	25,735	...	1,19,542	15,967	2,10,680
Seoni ...	38,305	30,540	...	...	1,51,943	26,772	2,47,560
Hoshangabad ...	59,820	92,087	...	...	3,35,003	99,529	5,86,439
Harda ...	39,698	49,659	...	...	1,15,192	45,947	2,50,496
Piparia ...	36,332	1,00,949	1,01,689	...	72,721	60,574	3,72,265
Betul ...	70,690	1,55,935	10,175	...	3,05,122	1,26,995	6,68,917
Nimar ...	72,745	59,474	...	...	1,33,652	1,11,016	3,76,887
Narsinghpur ...	63,219	85,084	59,245	...	2,81,213	62,995	5,51,756
Chhindwara ...	66,100	92,007	...	...	2,92,879	96,613	5,47,599
Raipur ...	84,678	71,413	11,510	...	2,82,762	76,818	5,27,181
Bilaspur ...	67,763	43,867	5,570	...	3,26,024	40,516	4,83,740
Drug ...	63,678	41,633	...	...	26,243	1,03,866	2,36,420
Berar.							
Amraoti ...	1,41,125	3,62,837	...	...	27,25,364	2,83,856	35,13,182
Ellichpur ...	31,200	51,815	26,075	...	2,46,837	49,623	4,05,550
Morsi ...	56,645	88,058	42,421	...	4,62,129	22,990	6,72,243
Daryapur ...	36,135	39,689	9,470	...	3,01,422	23,897	4,10,613
Yeotmal ...	94,458	2,03,740	29,512	...	11,54,313	54,726	15,36,749
Pusad ...	10,205	1,120	...	...	2	325	11,652
Akola ...	1,41,450	4,00,071	1,05,100	...	21,63,797	2,61,127	30,71,545
Buldana ...	39,010	57,397	51,159	...	3,12,052	49,797	5,09,415
Khamgaon ...	67,416	1,11,275	1,59,527	...	6,14,115	99,536	10,51,869
Mehkar ...	85,297	1,56,593	1,58,334	...	2,95,469	89,338	7,85,031
Malkapur ...	26,685	59,303	71,739	...	3,41,045	24,208	5,22,980
Total for Central Provinces and Berar.	19,88,333	32,08,911	13,54,073	110	1,34,55,126	26,29,727	2,26,36,280

1430. Deposits.—The Central Banks of this province have depended for their resources mainly upon deposits and no deposits are accepted for a longer period than five years, while the majority of deposits are for a much shorter period.

1431. Although at present a considerable proportion of deposits are normally renewed when the period for repayment falls due, it is obvious that it would be contrary to sound banking principles for the Central Banks of this province to attempt to finance long-term loans on a large scale.

1432. The principal aim of the founders of the movement was to provide good credit facilities and cheap money to agriculturists, and our enquiries show that in very many cases efforts were concentrated on an attempt to liquidate prior debts. The results of this attempt are discussed hereafter.

VIII

Existing difficulties and defects.

1433. Existing difficulties and defects, and how to remove them.—The state and progress of the co-operative movement in this province was reviewed in a statement presented before the Royal Commission on Agriculture. Mr. C. M. Trivedi, I.C.S., Deputy Commissioner, Nagpur, who was at that time Registrar, Co-operative Societies, and who also kindly appeared before us as a witness, was examined in detail by the Royal Commission.

1434. The Royal Commission have recorded their decisions on the All-India questions which arose, and suggested future lines of development.

1435. The defects and difficulties of the movement are dealt with from time to time in the annual reports of the Registrar, Co-operative Societies, and are well known to all those interested in the movement. We deal below with those defects of the case which are relevant to our enquiry.

1436. Financial aspect.—We deal first with the purely financial aspect.

1437. The Registrar reports that since 1925-26 the work of reconstruction and re-organization of primary societies has been seriously taken in hand. It is also reported that serious efforts are being made to reduce the amount of overdues and arrears. But the figure is still large. As is explained above in 1928-29 overdues including renewals amounted to Rs. 53,26,383 out of Rs. 1,35,90,333 loans outstanding and Rs. 1,62,46,777 total working capital. It is true that in many cases a very considerable part of overdues consists of accumulated interest. But the origin of overdues is not very relevant to a consideration of the present financial position of the banks.

1438. The accumulation of these overdues has undoubtedly in some cases caused financial embarrassment, and seriously restricted capacity for fresh financial operations. At the same time it should be remembered that most of the Central Banks continue to receive a steady flow of deposits, and in consequence have surpluses invested with the Provincial Bank. This at first sight does not seem to fall in the category of "better business".

But, on the other hand, a very wise caution is being exercised in the registration of new primary societies.

1439. Causes of accumulated overdues.—The causes which have led to the accumulation of overdues are indicated as follows:—

(1) Inadequate examination of the actual paying capacity of the individual borrowers at the time of making advances.

(2) Laxity of recovery in years when surpluses must have been available for making substantial repayments.

(3) Poor crops in some years reducing the borrowers' paying capacity.

1440. We have discussed these important factors of rural finance in Chapter VI while making proposals for the creation of a Land Mortgage Bank, and have suggested a special provident fund scheme to provide a *Via Media* to secure prompt and rigid recovery of a certain sum in all years, while touching also the substantial surpluses of the years of good harvests.

1441. Reiteration here is unnecessary. It suffices here to note the difficulties which exist, but which were not appreciated fully in the past. Although the paying capacity of the average cultivator may often be considerable in a year of good harvest, the regular and prompt repayment of a substantial sum over all years good and bad cannot be reasonably expected, in the absence of facilities for securing the investment of the surpluses of the good years.

1442. The system of indigenous money-lending realizes this difficulty. The sowkar follows the line of least resistance, and is not strict in recovery provided the debt is kept within reasonable limits.

1443. Fundamental differences between financial position of indigenous banker and Central Bank.—But certain fundamental differences exist between the financial position of the indigenous money-lender and the Central Banks.

1444. The indigenous money-lender carries on his business on his own capital supplemented by occasional advances from the bigger men or indigenous bankers when, but usually only when, a crisis arises out of a series of bad years or a serious crop calamity. He is trading on his own capital, and his principal aim is to invest at, and to secure, a remunerative rate of interest. He has no particular incentive to recover the principal.

1445. The Central Banks, on the other hand, are dealing with other people's money. They are, as is explained hereafter, practically the only institutions outside the commercial banks who attempt to carry on banking upon modern lines. Short-term deposits constitute by far the greatest part of their working capital. Prompt recoveries and regular payments are therefore essential, not only to secure that rapid turnover of borrowed capital, which alone makes it possible for a business of this kind to be carried on at a profit without charging high rates of interest, but even for their continued stability as a banking institution.

1446. Although, therefore, the rates of interest charged upon advances can never be low, and the banks can never secure the best advantages to their clientele, nor real financial stability to themselves, unless recoveries of advances are prompt and regular, we desire to stress the point that on the one hand prompt and regular repayment of substantial instalments is not possible without special arrangements for investment of surpluses in good years, while, on the other hand, the very idea of promptness in repayment is foreign to the system of finance to which agriculturists have been accustomed from time immemorial. A proper appreciation of these difficulties makes it easier to understand the real situation.

1447. The sowkar's advantages of local knowledge and contact.—The indigenous money-lender has also the great advantage of personal knowledge of the real paying capacity, personal habits and moral and material credit of each of his clients. This knowledge even with the best supervision in the world, the Central Bank itself can never have with regard to the individual members of the societies scattered over large areas; nor was this intended.

1448. This local knowledge and control the primary society itself must supply.—Although a system grew up in this province whereby the work of organizing, and scrutinizing applications for registration of new societies, and the fixing of credit limits, the examination of the paying capacity of individual borrowing members, and the general education and supervision of societies fell to the lot of the Central Banks, they owe their existence to the need for agencies to finance the primary societies, and their main and inherent functions are those of credit agencies.

1449. The whole movement was built up on the assumption that the primary society would independently perform certain essential functions, *i.e.*, that realizing the implications and responsibilities of joint unlimited liability the members of the society would jointly and severally perform the duties of accurately estimating the paying capacity of each borrowing member, of supervising and controlling his financial activities, and of securing prompt recovery of instalments as they fell due. That is to say, the primary society was to supply that local knowledge and local contact with individual borrowers, which the village sowkar possesses, and which it is impossible for the Central Bank, operating at long distances and over large areas, to secure.

1450. These facts perhaps appear trite and obvious when marshalled, but they are none the less of the highest importance, and have often been lost sight of.

1451. That laudable enthusiasm for rapid expansion, that natural but overoptimistic hope, that societies would learn by experience and could be trained in their duties and in the implications of their responsibilities, when once they commenced to function, resulted in a wholesale formation of societies untrained in their essential duties, and without adequate means for subsequently training them.

1452. Good security a contributory cause of negligence.—The very security which the banks obtained from the fact of joint

and unlimited liability of persons, some of whose landed property and other assets were substantial, undoubtely in many cases obscured the need for an accurate valuation of individual paying capacity. Money was freely advanced, and in the light of experience it now seems was often recklessly advanced.

1453. The security provided by joint and unlimited liability has no doubt always been a valuable one, and we do not wish to imply that with care and continued effort all but a small percentage of outstandings cannot eventually be recovered. We do not question the capacity of the Central Banks to meet their liabilities, although considerable reconstruction and reorganization has become necessary before further advance is possible.

1454. In co-operation the moral side cannot be separated from the financial side.—We have considered above the purely financial side from the point of view of the Central Banks. But the moral and educational side is no less important. It cannot, however, be separated from the financial side, as some persons seem to think. It is bound up in the business of the movement.

1455. If primary societies are to remain mere borrowing groups, as many have been in the past, the members more or less conspiring together to get as much money as they can from the Central Bank, the Central Banks as we have shown above can never carry on a money-lending business even on such sound lines as the local sowkar with his local knowledge and constant contact with his clients.

1456. If the societies are to be mere borrowing groups, loans on joint liability can be advanced to them in the form of Government taccavi, at lower rates of interest, with greater facility, and with greater assurance of prompt recovery, as we have explained in Chapter VI.

1457. Primary societies must be independent financial units.—The primary society must, therefore, perform its essential functions as an independent financial unit, if the co-operative credit movement is to develop as we desire, or is even to continue to exist. In financing primary societies before they had been trained to play their proper part in the general financial scheme, we have in some cases put the cart before the horse. But that is no reason why we should not hasten to correct mistakes and to remedy defects, and be careful to avoid similar mistakes in future.

1458. Training of societies essential to financial success.—The training of the existing primary societies into independent working financial units is thus clearly the most urgent need of the movement, and will of itself remove most of the defects which exist at present. Experience has shown the need of giving at least some preliminary training to societies before financing them, and for continuing that training and for maintaining close supervision over them, until they are fit to stand on their own feet. Even then periodic inspection, audit and some supervision will be required.

1459. But unnecessary control harmful.—But, on the other hand, any unnecessary control or restriction of those societies, which show capacity for shouldering their own responsibilities,

will defeat its own object. Our object must always be to make the societies perform their proper functions as early as possible, not only in the interests of the societies, but of the Central Banks as well.

1460. We have felt compelled to stress these points, because not only villagers in our intensive enquiries, but even responsible co-operative workers such as the Secretary, Damoh Central Bank, have complained of the joint and unlimited liability of members as being one of the evils of co-operation. Others have pressed for closer attention to business, and less attention to so-called theoretical ideals and moral principles.

1461. We also find in the appendix to the report of the Royal Commission on Agriculture containing the preface to the Provincial Volume of Evidence, pages 214 and 215, the following view expressed :—

> "Unfortunately, however, the financial prosperity of the Provincial and Central Banks has distracted attention far too long from the internal working of the village societies. Among these latter, sufficient teaching of the principles and objects of co-operation had not been given to members. The principle that the whole movement exists for the benefit of members and primary societies was not that dominating factor in the Central Bank's policy which it ought to have been."

1462. We have, therefore, felt it our duty to point out that the very business of the Central Banks depends on the training of societies in the principles and implications of co-operation.

1463. We fully appreciate the wise caution of the Registrars since 1923 in refusing to register new societies haphazard without close investigation.

1464. **The efforts of institutes.**—We equally appreciate the efforts now being made by the institutes for the education and supervision of primary societies. When the societies have been trained to perform their own functions then only can the movement prosper. Meanwhile the closest supervision is required, though this supervision is only a makeshift, until the societies are fit to achieve independence.

1465. **Up to now very few societies have begun to function properly.**—We note that the opinion was expressed before the Royal Commission on Agriculture that owing to the concentration of powers in the hands of the Central Banks and their increasing domination over primary societies, these societies had deteriorated into mere agencies of the Central Banks. This is not correct. There has not been deterioration in this respect. It would be more correct to say that most of the societies have never been more than borrowing groups, and have never reached a stage when they could function independently.

1466. **Training at first left to honorary workers.**—This fundamentally important work of educating and training primary societies was in the beginning left mainly to the honorary workers connected with the Central Banks.

The provincial federation founded in 1913 was found unable to perform these functions. The regional Institutes are now tackling the problem.

1467. In 1926 the Registrar prepared a scheme for relieving the Government auditors of their auditing work to enable them to concentrate on training and supervision. It appears that these proposals were held up to enable the Royal Commission on Agriculture to record its opinions.

1468. Prompt recovery of seasonal loans should present little difficulty.—We have referred above to the need for arrangements for investment of surpluses in good years if prompt and regular recovery of substantial instalments is to be annually secured.

This does not apply so much in the case of seasonal loans repayable at harvest. Even though the crop be poor, they can usually be repaid, although a fresh advance will be required to finance the agricultural operations of the following season.

1469. Long-term loans present more difficulties.—The difficulties with regard to recovery, to which we have alluded, become formidable only in the case of loans of larger amounts repayable in instalments.

1470. At first seasonal loans only should be given to new societies.—It would appear then that logically advances to new societies should in the first instance be confined to these seasonal loans, loans on a large scale and for longer terms being deferred until the primary society has gained some experience and is functioning in a proper manner.

1471. The mistake of attempting to discharge prior debts.—But unfortunately, as has been explained earlier in this report, attempts were made to discharge prior debts by advances through the primary societies. This was a very natural mistake arising from the very laudable desire to relieve those cultivators who appeared to be most in need of financial assistance. But such action was bound under the circumstances, as has been already explained, to result, in the majority of cases, in accumulation of overdues. The amortization of old debts was in any case beyond the capacity of the financial machinery of the co-operative credit movement. The machinery was new; those in whose hands it was placed required time to understand its mechanism, and to learn how to work it. They should have started slowly on the relatively simple business of short-term seasonal loans. It was courting failure to start off with an attempt to amortize debts through a financial machinery, incapable of long-term business, operated by persons unskilled in its manipulation.

1472. It has now been generally recognized that the Central Banks cannot devote more than a very small percentage of their working capital to long-term business.

1473. But in considering the difficulties of the movement it is necessary to remember that this attempt to discharge prior debts is undoubtedly responsible for a considerable portion of the overdues which have since accumulated.

1474. With an appreciation of the basic causes of existing defects and difficulties it is not necessary to dwell at length on details.

1475. Comparison of outstandings with working capital and deposits.—The following statement shows the percentage of outstandings recovered last year :—

Serial No.	Name of Central Bank (districts are italicized).	Percentage of recoveries to outstandings including figures of awards and liquidation.	
		Per Bank.	Per District.
1	2	3	4
1	*Nagpur*	39·0	39·0
2	*Bhandara*	28·5	28·5
3	Brahmupuri (*Chanda*)	59·0	44·3
4	Warora	27·6	...
5	*Wardha*	87·0	87·0
6	*Balaghat*	18·3	18·3
7	*Jubbbulpore*	10·3	4·3
8	Sihora	1·3	...
9	Murwara	5·6	...
10	*Saugor*	2·9	2·9
11	*Damoh*	6·3	6·3
12	*Mandla*	6·7	6·7
13	*Seoni*	16·1	16·1
14	*Hoshangabad*	16·4	18·9
15	Harda	41·2	...
16	Sohagpur	12·7	...
17	*Betul*	15·4	15·4
18	*Nimar*	36·3	36·3
19	*Narsinghpur*	10·5	10·5
20	*Chhindwara*	13·6	13·6
21	*Raipur*	76·8	76·8
22	Bilaspur	79·0	79·0
23	*Drug*	71·1	71·1
	Total Central Provinces ...	24·6	24·6
24	*Amraoti*	24·9	39·0
25	Ellichpur	43·0	...
26	Morsi	96·6	...
27	Daryapur	20·1	...
28	*Yeotmal*	26·5	2·9
29	Pusad	144·8	...
30	*Akola*	8·6	8·6
31	*Buldana*	5·7	11·2
32	*Khamgaon*	8·7	...
33	Mehkar	16·0	...
34	Malkapur	8·2	...
	Total Berar ...	23·2	23·2
	Total Central Provinces and Berar ...	23·7	23·7

1476. It may be of interest to compare it with the following statement of working capital and amount of deposits of members and non-members held by primary societies :—

Serial No.	Name of Central Bank (districts are italicized).	Deposits in societies.			Working capital of societies.	
		Members per bank.	Non-members.	Members and non-members per district.	Per bank.	Per district.
1	2	3	4	5	6	7
		Rs.	Rs.	Rs.	Rs.	Rs.
1	*Nagpur* ...	8,256	...	8,256	3,82,132	3,83,132
2	*Bhandara* ...	1,857	...	1,857	1,28,276	1,28,276
3	Brahmapuri is *Chanda.*	1,546	...	2,091	1,74,516	2,93,588
4	Warora ..	545	...	...	1,19,092	...
5	*Wardha* ...	5,237	...	5,237	2,39,634	2,39,634
6	*Balaghat* ...	16,022	20	16,042	2,69,639	2,69,639
7	*Jubbulpore* ...	2,385	118	18,084	4,51,532	16,93,325
8	Ihora ...	3,539	11,569	...	9,84,367	...
9	Murwara ...	473	...	...	2,54,433	...
10	*Saugor* ...	2,621	3,083	5,704	2,22,506	2,22,506
11	*Damoh* ...	30	3	33	1,96,554	1,96,554
12	*Mandla* ...	..	...	...	1,77,297	1,77,297
13	*Seoni* ...	1,691	...	1,691	1,89,407	1,89,407
14	*Hoshangabad*...	1,872	...	6,407	3,30,815	7,60,566
15	Harda ...	1,698	...	...	1,26,365	...
16	Sohagpur ...	991	1,846	...	3,03,386	...
17	*Betul* ...	8,345	827	9,172	4,41,024	4,41,024
18	*Nimar* ...	2,398	245	2,643	1,71,456	1,71,456
19	*Narsinghpur* ...	7,765	1,360	9,125	4,68,184	4,68,184
20	*Chhindwara* ...	927	...	927	1,99,869	1,99,869
21	*Raipur* ...	6,430	...	6,430	2,42,091	2,42,091
22	*Bilaspur* ...	13,481	...	13,481	2,83,896	2,83,896
23	*Drug* ...	149	...	149	1,28,359	1,28,359
	Total Central Provinces.	88,258	19,071	1,07,329	64,87,803	64,87,803
24	*Amraoti* ...	28,778	69,378	3,48,060	23,79,332	36,68,191
25	Ellichpur ...	7,658	10,681	...	2,77,382	...
26	Morsi ...	48,775	1,44,656	...	6,40,248	...
27	Daryapur ...	18,042	20,089	..	3,71,229	...
28	*Yeotmal* ...	18,147	99,281	1,17,448	13,65,004	13,71,535
29	Pusad ...	20	...	...	6,531	...
30	*Akola* ..	29,737	85,244	1,14,981	24,72,881	24,72,884
31	*Buldana* ...	851	1,306	99,929	4,32,983	22,46,364
32	Khamgaon ...	18,120	...	...	5,57,733	...
33	Mehkar ...	1,831	39,644	...	7,49,184	...
34	Malkapur .	4,061	10,116	...	5,06,464	...
	Total Berar ...	1,76,120	4,80,398	6,56,418	97,58,974	97,58,974
	Total Central Provinces and Berar.	2,64,378	4,99,469	7,63,847	1,62,46,777	1,62,46,777

1477. **Failure to develop the investment habit in rural areas.**—It will be seen that the total deposits received from rural areas amount to Rs. 2,64,378 only or 1½ per cent of the total working capital.

1478. It will be clear, that the movement has not up to now succeeded in stimulating the thrift or investment habit in rural areas.

1479. **The idea that the financial independence of primary societies would injure the Central Banks shown to be a mistake.**—In reviewing the financial aspect of the case we have stressed the point above, that the training of primary societies to the proper performance of their independent duties, is essential to the sound working of the Central Bank's business, although this fact has often been lost sight of.

As regards the development of the thrift and investment habit in rural areas, we have also explained the need for special facilities for investment of surpluses in good years to ensure regular repayments from year to year.

1480. The view is, however, held in some quarters that the accumulation of deposits from rural areas by primary societies might operate to extinguish the Central Bank itself as a financing agency. It is argued that if primary societies accumulate sufficient working capital for their requirements, the Central Banks would lose their business. Financial independence, however, does not imply that a primary society will have no business with other financial agencies. A link will always be required. Just as the Provincial Bank is at present required for co-ordinating the finances of the Central Banks so too the Central Bank will be necessary for co-ordinating the finances of primary societies as they begin to function as independent financial units, while scope and need for formation of fresh societies will always continue.

1481. **Effect of the co-operative movement on members of societies up to date.**—In reviewing the general defects and difficulties of the movement as a whole, we do not intend to imply that none of the primary societies are functioning satisfactorily. That is far from our meaning. There are undoubtedly good societies and bad societies. In the Bilaspur district, for instance, the general condition of the movement is much more satisfactory than in many other parts of the province, but we do not desire to draw invidious distinctions.

1482. Our enquiries show, however, that many of the primary societies are still little more than borrowing groups. We still find a tendency among solvent members even in the better societies (*e.g.*, Mozri, Amraoti district, Appendix E-II) to resign the membership of their society, as soon as they have repaid the original advances taken by them. And we have not found that as a rule the membership of a co-operative credit society has up to now resulted in the material improvement of the economic condition of many members. Some of the witnesses connected with the co-operative credit movement, who have appeared before us have given an estimate of the number of individual members,

whose economic condition has been improved by membership of a co-operative credit society. The relative insignificance of the number of persons quoted by these witnesses is of itself the strongest proof of the above statement.

1483. Indebtedness of members greater than that of others.—Throughout our intensive village surveys we have carefully examined and compared the indebtedness of the members of the co-operative credit society and of the other residents in the village in which that society exists, and, with very rare exceptions, we have found that the average burden of indebtedness of the members of the co-operative credit society is considerably greater than that of the other residents of the village.

1484. We have discussed this question in detail in each of our village enquiry notes, and we have also compared the amount of indebtedness of co-operative credit society members and other agriculturists in our district notes. We have pointed out in our note on Berar that, whereas the average indebtedness of members of co-operative credit societies in Berar works out at Rs. 53 per acre of the land which they hold, the all-round average agricultural indebtedness works out at Rs. 17 per acre. We have discussed this question in further detail in the Berar note. The comparison is of course in some respects slightly misleading, as 45 per cent of the agriculturists in Berar owe no debts at all.

1485. In many cases members of primary societies owe considerable greater sums to other financial agencies, *e.g.*, to the village sowkar, than they owe to the society itself, and instances have also been brought to our notice where members of societies obtained advances in the first instance from the society to pay off prior debts to others, but who, when the time for the repayment of these advances to the society came, again borrowed money from the sowkar to do so.

1486. We have referred above to the attempt which was made in the earlier stages of the movement to make use of co-operative credit as an agency for liquidating prior debts. No doubt a large number of the original members of societies were heavily indebted before they joined the movement. This partly explains the heavier incidence of debt on members of societies than upon other cultivators. In Chapter I we have alluded to this fact in explaining why the average incidence of indebtedness upon members of co-operative credit societies cannot be a safe guide for estimating the incidence of indebtedness upon other persons nor the total volume of agricultural debt.

1487. Conclusions.—To return to the main point under discussion, it is clear that the basic causes of whatever defects have existed and of whatever difficulties have been experienced arise from the failure to train primary societies to the proper performance of their functions, and from the need for arrangements for securing investment of surpluses in the good years, *i.e.*, the need for developing the thrift and investment habit.

IX

ADEQUACY OF THE CO-OPERATIVE MOVEMENT AS A BANKING AGENCY.

1488. *(a)* **Provincial and Central Banks.**—We have already stated that after a period of considerable vicissitude, the financial position of the Provincial and Central Banks on the whole is now fairly sound, though there are considerable arrears and overdues outstanding in many banks. The financial security of these banks, in spite of overdues, is the result of the joint and unlimited liability of individual members of societies. If this joint and unlimited liability be enforced, the proportion of overdues which will be found to be absolutely irrecoverable will probably not be very large. We have already recorded that the directors of Central Banks have now realized the urgent need for recovery of outstandings, and that the work of re-organization is now in progress. These efforts should not be relaxed. Some time, however, may be required, particularly in the case of certain banks, before these overdues can be reduced to what may be considered a proper percentage of working capital.

1489. Functions of a modern bank.—The main functions of a modern bank are—

(*a*) to take money on deposit;
(*b*) to grant cash credit and advances;
(*c*) to assist in remittance between individuals and from place to place; and
(*d*) to assist industry and business by the discounting and re-discounting of bills, etc., etc.

1490. The Central Banks' progres.—(*a*) **Credit facilities.**—We have already described the work which has been and is being performed by the Provincial and Central Banks in providing credit facilities.

1491. (*b*) **Deposit business.**—It will be correct to say that though the progress made by the co-operative movement in inviting and obtaining deposits in rural areas has up to now been insignificant, very substantial progress has been achieved in urban areas. The co-operative movement undoubtedly has substantially encouraged the investment and thrift habit in urban areas particularly among pleaders, retired Government servants and other members of the learned professions. We have also pointed out that the general financial position of these Central Banks should now continue to improve, if adequate measures are taken for the training and supervision of primary societies.

1492. That is to say, that purely as banking agencies, the Central Banks may be considered to be more or less firmly established, as far as the work of inviting deposits and provident credit facilities is concerned.

1493. Outside the Imperial and Allahabad Banks, the Provincial and Central Banks may be said to be almost the only banking agencies in the province, whose working capital consists mainly of deposits, that is to say, are the only banking agencies who are carrying on business upon modern lines. The educative value of this development should in course of time be great.

1494. In the first Co-operative Credit Act of 1904 no provision was made for the creation of Provincial or Central Banks, and the opinion was then held that societies, upon formation, would be able to obtain credit facilities from the existing credit agencies. These hopes did not materialize, and the Provincial and Central Banks resulted. Their *raison d'être* was to provide funds for the establishment of co-operative credit societies, and this they have undoubtedly succeeded in doing.

1495. Scope for extending business of some Central Banks to other banking functions.—Their resources, however, at present in some cases now exceed their immediate requirements, as is already explained. The majority of us, therefore, see no reason why the business of Central and Provincial Banks should continue to be confined to the financing of co-operative credit societies. There appears to us to be no reason why the Provincial Bank and those of the Central Banks, whose financial position and efficiency of management justifies an extension of this kind, should not now extend their activities to the other ordinary functions of a bank, that is to say, to the functions of remittance and transfer and to the discounting and re-discounting of bills.

1496. Such extension would be a boon to the public.—One of the main needs of the province at present is an increase in the number of banks, and there appears to be no immediate prospect in the near future of the opening of a large number of new branches of the joint stock and commercial banks. Although some purists may consider that there are objections to the proposal, having regard to the fact that up to now the business of Central Banks has been confined to the financing of co-operative credit societies, it seems that some of these Central Banks are now capable of carrying on a wider business, and might confer considerable economic benefits on the community, if they were allowed to do so.

(*b*) Progress of Primary Societies.

1497. The primary societies, however, cannot be said to be performing the functions of banking agencies, although the object of the co-operative movement has always been that they should do so. Although we do not wish to deny that there are a number of primary societies functioning satisfactorily, it cannot be said that the average co-operative credit society has advanced appreciably since the co-operative credit movement was first introduced into the province.

1498. We have been informed that in some societies, *e.g.*, at Morsi, Amraoti district, a rule of compulsory saving is enforced. But these are rare exceptions.

1499. The primary society at present cannot be said to perform any of the functions of a banking agency, though it is true that some of them take small sums on deposit and pay high rates of interest up to 8 per cent upon these deposits, for the reason that they are ordinarily required to pay 9 per cent for the advances which they obtain from the Central Banks.

1500. We place these facts on record to make it plain that the co-operative credit societies are not yet in a position to perform the functions of banking agencies, although the Provincial and Central Banks are in a position to do so, while some of the latter might, with advantage to the community as a whole, extend their business beyond the financing of the co-operative credit societies.

1501. We come next to consideration of the lines of further development.

X

Future lines of development.

1502. We have ventured above to stress the business aspect of the case, and to emphasize that the training of primary societies to play their independent part in the general co-operative scheme of this province is essential to the financial success of the Central Banks.

1503. **Supervision alone a makeshift only.**—We have also explained that although close supervision is required until the primary society has been trained to independent action, such supervision is a makeshift only, and can never, as far as the business side of money-lending or banking is concerned, be an adequate substitute for independent and responsible performance of its duties by the primary society itself.

1504. We have stressed these points, because there appears some confusion of ideas, and because this aspect of the case has often been lost sight of.

1505. As regards the need for the training of primary societies in the interests of the members of societies themselves, for whose benefit after all the whole co-operative structure has been erected, there is little to add to what has been stated by the Royal Commission on Agriculture.

1506. We entirely agree with the statement that "the only remedy is the patient and persistent education in the principles and meaning of co-operation of the members of primary societies by teachers competent to perform the task efficiently under adequate supervision".

1507. This was one of the few conclusions contained in Chapter XIII of the Report of the Royal Commission on Agriculture which was unanimously accepted by the Tenth Conference of Registrars held at Simla in September-October 1928 to discuss the proposals of the Royal Commission. It is obviously correct.

1508. We have also previously stated above, though in different language and for different reasons, that " the whole object of those charged with the education of members of co-operative organization, should be to so teach the people that they will be able to assume complete control of their own organization".

1509. Efforts have been made in this province to improve the situation by the appointment of group officers for training and

upervision under the control of the co-operative institute. But heir number is reported to be insufficient, and their educational ualifications inadequate.

1510. **Resolutions of tenth conference of Registrars of Co-operative Societies.**—The Tenth Conference of Registrars after considering the recommendations of the Royal Commission, that every effort should be made to build up in all provinces a highly educated and well trained staff for training and supervision passed the following resolutions:—

"This Conference agrees that education and supervision is of the highest importance and is of opinion that Government should, where necessary, make substantial contributions towards the cost of education and supervision, especially in backward tracts and for societies among women and the backward classes. At the same time it sees no reason why, where audit is given free, this privilege should be withdrawn, or where subsidies are given for audit, these should cease to be paid. In provinces where no contribution is now made, the Conference sees no objection in principle to the Government making any contribution required to make it efficient."

"This Conference insists on the necessity of proper educational qualifications for all new appointments and also emphasizes the importance of the training of probationers and the existing members of the co-operative staff, and that the example of the Punjab in developing a very high standard of excellence should be followed by all other provinces."

1511. **Training and supervision cannot be adequately performed by honorary workers alone.**—We are all agreed on the need for supplementing the efforts of honorary workers, and on the need for an efficient paid staff. The Royal Commission have summed up the position fairly and fully, and the point is no longer disputed.

1512. **Degree of control by Government over paid staff of co-operative societies.**—On the departmental question as to the precise degree of control which the Government, the institutes and the Central Banks should respectively exercise over the paid staff, we do not feel called on to record a decision; nor were the views of the Tenth Conference of Registrars on the subject by any means unanimous.

1513. Some of us feel that a permanent cadre of Government servants specially recruited for the purpose might be the most efficient. We feel, however, that this might perhaps involve too sudden a break with existing practice and with the past history of the movement in this province.

1514. **Need for Government Aid.**—We, however, agree with the Royal Commission and with the Tenth Conference of Registrars as to propriety of Government giving all possible financial assistance in the training of primary societies. Upon what conditions Government would be prepared to give financial assistance on the scale required, is not a question to be decided by us.

1515. We are agreed, however, that not only the expansion, but in many areas the continued existence, of the co-operative movement depends upon the rapidity with which the necessary training of primary societies can be effected.

1516. **The limitations of the movement as a money-lending agency in this province.**—The movement at present as is explained above, has reached only a little over 2 per cent of the families residing in rural areas.

1517. Though we whole-heartedly desire to see a wide development of the co-operative movement, not as a mere credit agency but for purposes of much greater economic importance, as is explained hereafter, we realize that there is no prospect of the movement generally supplanting the indigenous money-lender as a credit agency throughout the province within a reasonable period of time.

1518. **The reasons why the limitations on the money-lending functions of the movement are not a cause for anxiety.**—We have, however, in an earlier chapter of the report, after careful enquiry, given a review of the general economic position, of the volume of indebtedness, of assets and liabilities, and of financial methods in rural areas.

1519. The facts which we have marshalled show that the statement of the Royal Commission on Agriculture in paragraph 371 of their report that the cultivators "are so bound to the lender that all their produce must be sold to him and all their purchases made from him, etc., etc.," does not apply to rural conditions in this province.

1520. **The economic situation and needs of rural areas summed up.** (*a*) **Indebtedness.**—We have shown that the total outstanding agricultural debt exceeds 36 crores of rupees, and having regard to the agricultural assets of the two provinces it seems that the relative burden of debt in this province is no less heavy than that estimated by Mr. Darling in the Punjab. But after an examination of the distribution of this burden of debt and of the other side of the balance sheet, we have found that the average burden of debt is not a "crushing one". We have found on an examination of assets that only 4 per cent of the total number of cultivators are hopelessly indebted, and that they carry more than 37 per cent of the total burden of debt. Neither co-operation nor any other agency can restore these persons to financial independence, unless the creditors agree to accept in composition a sum within the ultimate paying capacity of the debtor, and unless a land mortgage bank is created for amortizing the compounded debt.

We have found on the other hand that 45 per cent of rent-paying cultivators owe no debts at all, while among the remainder we find a considerable number whose debts consist only of seasonal advances taken for financing their agricultural operations and repayable at harvest.

1521. We have found that the financial position of the landlords, with the usual exceptions, is on the whole not a cause for anxiety, their landed property alone being worth not less than Rs. 46,09,77,479 compared with their total indebtedness of Rs. ~~1,59,50,433~~. 6,58,90,424

1522. (*b*) Causes of indebtedness.—We have explained that the main causes of the accumulation of debt are the great variations in crop outturn from year to year, and the failure to inculcate the habit of investment or to provide adequate facilities for investment of surpluses in the good years.

1523. We have also explained that although in years of good harvests or high prices the absence of investment facilities has often resulted in the expenditure of considerable sums upon objects which are not necessary not productive, the percentage of cultivators who are habitually extravagant in their normal expenditure is small.

1524. (*c*) The real needs of rural economy.—We have made it plain in conclusion that the financial independence of the great majority of cultivators in this province could be restored by the provision of adequate investment facilities and the inculcation of the habit of investing the surpluses which occur in years of good harvest, if a provincial land mortgage bank is established to amortize those debts which have accumulated to unmanageable proportions.

1525. We have explained that the relatively high rates of interest charged on agricultural loans is an important contributory cause of the rapid accumulation of debts, but that in many cases the rates of interest charged by the indigenous money-lender are not unreasonably high having regard to his present methods of business and the risk involved therein. We have explained that the rates of interest charged to members of co-operative credit societies are also often higher than the profits of agriculture can easily bear.

1526. We have stressed the urgent need for a reduction in interest charges.

1527. We have explained that the co-operative credit movement cannot finance long-term loans on a large scale, and that an attempt to liquidate old debts through this agency has been one of the main causes of subsequent financial embarrassment.

1528. We have in conclusion explained that for securing the financial independence of our agriculturists the most urgent need is not the supplanting of the indigenous money-lender by the co-operative society as a credit agency.

1529. We must admit that before the commencement of our enquiries some of us held views with regard to rural economics in this province, which, although agreeing in some respects with the general opinions expressed in the report of the Royal Commission upon Agriculture, differed materially from the unanimous conclusions at which we have now arrived after careful enquiries throughout the province. It is possible that economic surveys and enquiries in other provinces may lead to similar conclusions.

1530. The function of co-operation should be to develop the thrift and investment habits.—At first sight it may appear that we are opposed to co-operation, and find no place for it in our scheme of rural finance. This is very far from being the case. But we consider that in its proper function in rural areas is to develop the habits of thrift, investment, and "Better business".

1531. Up to now the movement has been confined almost entirely to providing credit facilities, and to competing with the indigenous sowkar as a money-lending agency. Owing to the retarded development of many primary societies, its money-lending business in spite of excellent security has often compared unfavourably with that of the indigenous money-lender. This has earned it in some quarters the unsavoury appellation of "Naram sowkari".

1532. Suggestion that more harm than good is done by building up the reserve fund too rapidly.—It is true that substantial reserves have been built up, but only by charging 12 per cent interest to society members for money usually obtainable by Central Banks at less than 6 per cent.

1533. But in stimulating the habit of voluntary thrift or investment its results up to date in rural areas with a few exceptions have been practically *"Nil"*.

1534. The original idea of the founders of the movement was to build up within 20 years a reserve fund sufficient to secure and maintain the financial independence of the society. The establishment of the Central Banks with a ready supply of working capital made it, in our opinion, unnecessary to proceed with such rapidity. That is a separate question. But to our view the charging of 12 per cent interest to individual members in order to build up a reserve fund upon which the society receives only 4 per cent, cannot properly come under the category of "Better business".

1535. In our opinion, it would have been better to concentrate on developing the habit of individual thrift and of investment by individual members, so as to hasten their own financial independence.

1536. It may now be thought desirable to proceed more slowly and to lower the contributions to the reserve fund with a corresponding reduction in interest charges.

1537. At first seasonal loans only should be granted to new societies.—Although we agree that primary societies must ordinarily commence as credit societies, we feel, as we have previously explained, that in future credit should be confined to the granting of seasonal loans only, until the society has been trained to some degree of responsibility and efficiency.

1538. Need for concentrated thrift campaign among members.—We would urge, however, most strongly that in future a concentrated effort should be made to secure the deposit by individual members with the society of whatever surplus can be made available in good years. This, which appears to be the most important duty of all, has undoubtedly been neglected in the past.

1539. All those responsible for the education and training of primary societies should concentrate on this work in future.

1540. They should aim not at keeping society members in permanent financial dependence on the society, borrowing and repaying advances, but at building up for each member sufficient invested capital with the society to relieve him of the necessity of seasonal borrowing at all.

1541. The proper lines upon which a primary society should develop.—The primary societies starting as credit agencies for short-term loans, should gradually develop into savings institutions; there may always be new members joining as borrowers, but they should gradually be converted into creditors. The primary society will then become a real banking and investment agency, collecting the savings of old members and financing others as required. The mere advancing of short-term and intermediate loans can always be performed by the sowkar. In our scheme of development we allow also for a modernization of his methods.

1542. But the development of the thrift and investment habit which is essential for the future prosperity of the countryside, must be the special function of the co-operative movement. Here it has unlimited scope when once we have a proper agency for training and education.

1543. Rural reconstruction.—In Chapter XV we have outlined our general scheme of rural reconstruction, and have suggested that the campaign should concentrate on selected villages at convenient centres. In Chapter XVI we have exhibited the urgent need for the development of the investment habit and have made some tentative proposals.

1544. Necessity for inclusion of commercial and banking training in School as University curricula.—We have also in Chapter XV stressed the need for including instruction in commerce and banking and co-operation in the school and University curricula.

1545. We want more men fully trained in the principles of "Better business" and "Better Banking" not only for the modernization of our indigenous financing agencies, but for the educational staff of the co-operative movement.

We also want more money to make possible the employment of a staff of adequate size. With an adequate staff concentrated under proper control on the training of co-operative, there is no limit to the possibilities of development of co-operation in the work of economic reconstruction. But at present we must go slowly.

1546. We fully agree with the remarks of the Royal Commission in paragraph 378 of their report with regard to Government aid, in paragraph 379 concerning Government concessions, and in paragraph 380 with regard to the duty of all Government officers to assist and co-operate with the movement.

1547. Scheme of Economic Development Board.—In Chapter XV of this report we have proposed a scheme of Economic Development Boards in each district working under a Provincial Board, to secure full co-ordination of effort, not only between honorary and paid workers, but between all Government departments, in the economic development of the province.

1548. While not neglecting the urgent need for training all existing primary societies, it might be advantageous to concentrate on the development of model societies in all the villages selected for the intensive campaign of rural reconstruction. Here closer supervision and more intensive training might be possible.

1549. Need for co-operative sale and supply societies.—We see no reason for stretching the catch phrase "One thing at a time", to debar a primary society from functioning simultaneously as a credit society and as a supply and sale society, provided the members have been properly trained in their duties "one at a time". We make proposals in this connection in Chapter XV.

1550. Dangers of forming primary societies in backward tracts.—Before leaving the subject we desire to sound a note of warning.

1551. We have stressed that there can be no advance without much persistent training. The amount of training required depends upon the intelligence and education of the individuals concerned.

1552. It must, therefore, be a particularly difficult task to establish efficient societies among aborigines and in the more backward tracts. Attempts have, however, been made in the past with unfortunate results, particularly in the north of the Buldana district of Berar and in the Manjrod tract of the Nimar district.

1553. It seems undesirable to attempt to found new societies in these backward tracts, until an adequate staff has been created, and until the existing societies in more advanced areas are functioning properly.

1554. Need for whole-time Registrar, Royal Commission's recommendations endorsed.—In conclusion we desire to state that we are in agreement with the views of the Royal Commission with regard to the Registrar as set out in paragraph 376 of the report, though some of us feel that if an officer of the Provincial Service, *e.g.*, a Deputy Registrar, showed outstanding merit he might be appointed if this tended to secure permanence. The changes in Registrars in this province are becoming almost perennial.

1555. We particularly stress the need for a whole-time Registrar. Elsewhere we have recommended the appointment of a separate whole-time Director of Industries. At present both departments suffer from the amalgamation of office.

1556. The need for the expansion of the movement among non-agriculturists has also been stressed in Chapters VII and IX.

XI

POSSIBILITY AND DESIRABILITY OF GRANTING FINANCIAL OR OTHER CONCESSIONS BY GOVERNMENT.

1557. Exemption from income-tax.—The exemption of the co-operative banks from the payment of income-tax is after all only an indirect subsidy. Presumably if a concession of this kind were granted, it will be subject to certain safeguards and conditions with regard to the management of the Central Banks. The exemption of these banks from the payment of income-tax will amount to a subsidy from the Imperial revenues and would not involve any charge upon the Local Government. If the Imperial Government favour the proposal, we ourselves have no objection to it.

1558. The inclusion of debentures of co-operative credit banks in the list of trustee securities.—The co-operative banks in these provinces depend for their working capital upon deposits and none of them have yet issued debentures. We have separately recommended the formation of a provincial land mortgage bank which, of necessity, must depend for its working capital largely upon debentures, and in Chapter VI, we have stressed the need for the inclusion of these debentures in the list of trustee securities.

1559. Cheaper remittance facilities.—Co-operative workers have from time to time demanded the following concessions:—

(1) Telegraph transfers of funds at par should be allowed for co-operative purposes through sub-treasuries. This will be only an extension of the present concession of remittance transfer receipts.

(2) At present the interest earned on Government securities purchased out of co-operative funds is not exempt from income-tax. Such exemption should be granted.

(3) As is the case in the Punjab and United Provinces, charges for money order commission and insurance and registration fees on remittance of funds should be refunded to co-operative societies and urban banks.

(4) Process fees which the Central Banks have at present to pay in execution cases may also be refunded.

1560. Extension of co-operation in the direction of borrowing and lending on a provincial scale instead of local units operating separately in water tight compartments.—A number of co-operative workers have appeared before us as witnesses, and their general opinion has been in favour of the maintenance of the present independence of the Central Banks. They have stated that, if these Central Banks be amalgamated to work only as branches of the Provincial Bank, the local knowledge and assistance of local workers would not be forthcoming, and that close

and continuous supervision of the affairs of members of societies cannot be obtained unless the Central Bank system continues to exist. We have already pointed out that the main functions of the bank, whether central or provincial, should be to finance societies, while opinions are held in responsible quarters that the work of supervising and educating primary societies should be carried out by a separate agency. The majority of us are not in favour of extinguishing the Central Banks as independent units, provided the Provincial Bank opens branches for financing societies in areas, in which the Central Bank fails to function properly as a banking agency, and in those areas where no Central Bank at present exists.

1561. Relations with the Imperial and joint stock banks and other banking institutions.—Until recently the Imperial Bank of India, Akola, granted the Provincial Bank a cash credit up to 4 lakhs of rupees on the security of promissory notes of societies which had been scrutinized by the Provincial Bank and certified by the Registrar to be in order. This concession has, however, been recently withdrawn, mainly on the ground that it has not been frequently used by the Provincial Bank. This concession should be continued, and granted at other branches of the Imperial Bank of India as well. It facilitates the banking business of the Provincial Bank, and avoids the need for keeping a large surplus as cash balance. The branches of the Imperial Bank at Akola, Amraoti and Yeotmal advanced money to Central Banks on the security of Government paper. The Nagpur branch similarly grants advances to the Provincial Bank on the security of Government papers. Most of the branches of the Imperial Bank accord to the Provincial Bank the facilities which they do accord to any other joint stock bank.

1562. Alleged competition of co-operative banks with joint stock banks and other banking institutions.—Owing to the character of the business carried out by the co-operative credit banks, it is impossible for their business to come into competition with the business of other banks, except in the taking of money on deposit. It has been reported that the large deposits taken by the Akola and Amraoti Central Banks in Berar have to some extent affected the local deposits of the local branches of the Imperial Bank. But the Imperial Bank has made no complaint of this kind. In the past the rates of interest paid on deposits by some of the Central Banks have undoubtedly been high, and may, to some small extent, have operated to increase the price of money in the local money market. We have already stressed the need for reducing the rates of interest paid on deposits to the lowest minimum on which money can be readily obtained, both in the interests of the members of co-operative credit societies who are financed by these banks, and also in the interest of trade and commerce generally. Anything, which operates to increase the price of money in the money market, is injurious both to agriculture and industry. At present, however, the amount of deposits which the Central Banks are empowered to accept is limited, and as a general rule we doubt if there could be any question of serious competition between them and the joint stock banks.

PART IV

CHAPTER XII.—LEGISLATION AND LEGAL PROCEDURE.

I

ACTS FOR THE PROTECTION OF AGRICULTURISTS.

1563. Brief history of land tenures.—The land tenures in the Central Provinces and Berar have been separately described in paragraphs 78 to 104, Chapter II of the report. It remains to add a brief description of the history of these rights.

1564. Malguzari tenancy.—The proprietary rights of malguzars in their villages were first formally recognized, in pursuance of the Proclamation of 1854, in the settlement of the early sixties.

1565. The first Land Revenue Act of 1881, which has subsequently been displaced by the present Land Revenue Act, recognized the award of proprietary rights made by Settlement Officers and provided that a record of rights should be prepared and maintained for the proprietary rights of malguzars and also for the rights of tenants cultivating land in the malguzari villages.

1566. The original malguzari settlements of the Central Provinces were made by whole villages and not by individual fields, and amounted to a compromise between the zamindari system of Bengal and the ryotwari systems of Bombay and Madras. As was explained by Sir William Sleeman—

> "In the other extreme Government has constituted the immediate cultivators the proprietors, thereby preventing any one who is supported upon the rent of land or the profits of agricultural stock from rising above the grade of a peasant, and so depriving society of one of its best and most essential elements.
>
> The remedy of both is in village settlements, in which the estate shall be of a moderate size and the hereditary property of the holder. This is the system which has been adopted in the Nerbudda territory and which I trust will be always adhered to."

1567. (*a*) The "Malguzari tenure" thus brought into existence recognizes the malguzar as the proprietor of the village, but his proprietary rights are not unrestricted as will be seen in the sequel. His property includes land of three kinds, *viz.*, (1) *sir* land, (2) *khudkast* land and (3) land in the possession of tenants or tenancy land.

1568. The *sir* land is, roughly speaking, his permanent home-farm and may be sublet without creating in the lessee the right of an occupancy tenant.

1569. *Khudkast* is that part of the land in the village which is in the personal cultivation of the malguzar (khud—self, kast—cultivated) and which is not *sir* land, *e.g.*, land surrendered by a tenant, or land reclaimed by the malguzar from

village waste or jungle, or which comes in any other way into the legal possession of the proprietor. The malguzar has the right to cultivate this land for as long as he likes, and if his personal cultivation extends over a period of six consecutive years, it may be classed as *sir* land if the extent of *sir* already existing does not exceed one-fourth of the total occupied area of the village. But if at any time he leases it to a tenant even for one year only, that tenant at once acquires permanent occupancy rights in that land.

1570. Tenancy land is that portion of the village which is in the possession of cultivators, which the malguzar must allow to remain in the possession of tenants, unless the tenants voluntarily choose to surrender it or unless they are evicted through revenue courts for non-payment of rent.

1571. Malguzars' rights of transfers limited.—The malguzar has in theory the full right of transfer, but in practice it is limited. He may transfer the village, but the transferee would not get the right to cultivate the *sir* land unless the transfer has been sanctioned by the Deputy Commissioner. The malguzar in the absence of such sanction will continue to be in possession of the *sir* land as occupancy tenant of the transferee. The *khudkast* land may pass on transfer, but, as already stated, the malguzar is not in a position to let out the land. If he does so, he cannot terminate the lease and take back possession. Thus the malguzar has some land which he can lease out temporarily, but cannot sell, and some which he can sell, but cannot lease out without creating a permanent tenancy.

1572. Malguzars should be empowered to transfer *sir* without reference to revenue authorities.—The justification put forward for the restriction on the right of transfer of *sir* land is that it prevents the total severance of the proprietor from the land and preserves to him the means of subsistence. We all, with the exception of Rao Bahadur M. G. Deshpande, consider that it is no longer necessary to retain this restriction, and that full rights of transfer of *sir* land without reference to the revenue officer should be granted. Rao Bahadur M. G. Deshpande, on the other hand, is of opinion that the malguzars will lose everything if this restriction is removed.

1573. (*b*) Revenue free grants.—Holders of villages or plots given out as revenue free grants are in the same position as malguzars, apart from the revenue concession enjoyed by them. Their rights are heritable and transferable. In the northern district such privileged tenures are called "ubaris" and in the south "muafis" or "muktas" according as the village is wholly or partly revenue free. The term "mokasa" is sometimes used for such villages in the Nagpur territory.

1574. The grant of proprietary rights to grantees of these villages enables them to deal with them as they like, but as a revenue free grant is usually in favour of a specified person, Government may usually in case of transfer resume the grant and call upon the transferee to pay full revenue.

1575. History of rights.—As has already been explained in Chapter II, although 95 per cent of the land in Berar is held in full transferable right, only a very small portion of the tenancy area in the Central Provinces is transferable, with the result that only 27 per cent of the total area occupied in the Central Provinces for cultivation is transferable. We propose to consider briefly how the restrictions upon transfer came to be imposed and the effect these restrictions have had upon the rural economy of the province.

1576. It will be remembered that when the Central Provinces first came under the British Administration, the patels, the predecessors of the present malguzars, were little more than revenue farmers, and that individual cultivators had no recognized rights in land.

1577. The northern portion of the province known as Saugor-Nerbudda territories came under the British Administration in 1813; and the efforts of the revenue officers for the first few years were concentrated upon an endeavour to bolster up by artificial means the very high revenue demand which we had inherited from the Maharattas.

1578. Mr. Martin Bird.—Eventually, Mr. Martin Bird of the North-West Provinces Board of Revenue was appointed to make a special enquiry and report into the state of affairs which had resulted. He reported as follows:—

> "The stores of merchants have been opened and grain forcibly taken out and given to the cultivators as seed, without any payment being made to the merchant or any assistance afforded him for the subsequent recovery of the property of which he has been despoiled. This spoilation is stated to have occurred in favour of cultivators to whom the bankers have refused to make advances, from past experience of their fraud and faithlessness. Capitalists having obtained decrees against agriculturists were not permitted to sell their cattle or imprison their persons, because it was supposed that either of these measures would leave the land uncultivated. In short an ample collection of facts openly stated by the native, and which could not be denied by the European officers, afforded abundant proof that in the vain hope of propping up an exorbitant assessment and the mistaken notion of practical skill in the management of details, a system of mischievous interference in the private arrangements and concerns of individuals had almost universally prevailed. Again the degree to which the mischievous mistake of interference in those respects has been carried by every officer at his own pleasure is scarcely credible, and the tendency to persevere in the practice on the erroneous notion of protecting the poor is as strong as ever, and will yield to nothing but direct and positive prohibition. The effects in driving capital away from the land may be found stated in all the reports of local officers."

1579. Sir William Sleeman.—Sir William Sleeman also emphasized the great harm done by injudicious interference resulting in a disturbance of the economic forces of self-interest,

1580. The following remedies were approved :—

"In order to induce the people to spend their own capital, and to put forth their own strength in the cultivation of the land, it is necessary that they feel assured of reaping the full benefits of their enterprise, not only during the full period of the settlement, but beyond that, and so long as they or their posterity may have any connection with the land. In other words, it is necessary to give a good title so that each person might know the exact extent of his proprietary interest in the land or its produce, the mode in which he can transmit it to his heirs, and the terms on which he will be allowed to hold it after the expiration of the settlement. It is also necessary that he may have full power to transfer the land by sale or mortgage, so that he may at will raise money upon the property for such purposes as he may require. His Excellency in Council is in favour of giving the proprietors thus created as large and absolute control over the property vested in them as is consistent with local usage and feeling. When such usage and feeling are not opposed to the measure, it can only tend to the prosperity of the province to confer on every landholder as nearly as possible a fee simple in his estate subject only to the payment of revenue of Government, and to put it in his power to dispose of his interests in the land as he pleases by sale, gift, mortgage and bequest or otherwise."

1581. The inevitable results of the sudden grant of rights in land to uneducated persons, coupled with the rigid enforcement of the law of contract in the Courts of Justice, have been described in Chapter II. A large number of landlords misused their new credit, became hopelessly indebted, and lost their land. A spirit of reaction set in, and the need for restricting rights of transfer was urged.

1582. **Reaction in favour of restrictions.**—Advocates for protection justified it on the ground that they would thereby be avoiding two evils, *viz.*, the economic evil and the administrative evil that followed in the wake of the grant of full proprietary rights. In connection with the former it was stated that agriculturists were being hopelessly involved in debt,- and that curtailment of agricultural credit was the only remedy to secure a diminution in agricultural indebtedness.

1583. This conclusion was sought to be buttressed by the following argument :—"The produce remains the same, the revenue remains the same, so that profits which went formerly to the cultivating owner are now transferred to the middleman. The result is, one cannot live long in this country, without being fully impressed with the fact that of the wealth of the province the sowkar has the oyster and the Government and the ryot each a shell."

1584. The administrative evil was depicted in the following words :—

"Politically the excessive transfer of land by order of court works evil to the Government. The old men rarely lose their influence over the agricultural population, and

those newly made do not acquire the strength that may in time of need be used for the support of Government. The substitution of a new class of landholders for the old has a tendency everywhere to weaken the administration. The relations of the landholding class with money-lenders are embittered, and such embitterment is already manifesting itself in the form of a marked decline of good feeling towards Government, and experience shows that wherever this exists it is likely to lead to the serious embarrassment of Government."

1585. Tenants.—When malguzari rights were first granted, no separate rights were granted to tenants. The history of tenancy rights in the Central Provinces shows a continuing tendency to restriction on transfer, as a result of the experience which immediately followed the grant of rights of transfers to malguzars.

1586. Malik-makbuzas.—The malik-makbuzas' right was recognized as a result of the grant of malguzari rights, to afford protection to those persons who were found to have been in possession of their land continuously for a longer period than the persons to whom malguzari rights over the whole village were first granted.

1587. The malik-makbuza or plot proprietor obtained full rights of transfer in his land. His land revenue is paid direct to the Government, the malguzars obtaining some commission in return for their duties of collection.

1588. Absolute-occupancy tenants.—The right of absolute-occupancy tenancy was granted to those persons who could prove 12 years' continuous possession. It is confined to the original areas over which it was granted, and under the present law cannot now be newly created. The area held in occupancy right has gradually decreased for this reason during the last 60 years, as, and when areas have been surrendered.

1589. The Tenancy Act, 1920.—It is not necessary for the purpose of this enquiry to go over the earlier history of tenancy rights in the Central Provinces. It will be sufficient to describe the rights as they now exist under the Tenancy Act of 1920, which divides tenants into the following classes:—

(*a*) absolute-occupancy tenants known in the vernacular as katai mourusi,
(*b*) occupancy tenants (*mourusi*),
(*c*) sub-tenants, and
(*d*) village service tenants.

1590. (*a*) Absolute-occupancy tenants.—These rights are heritable and transferable, subject to the right of pre-emption on the part of the landlord, except when the transfer is to a co-tenant or heir-apparent, or in the case of a mortgage by a simple mortgage, or mortgage by conditional sale; or in the case of a sub-lease for a period not exceeding ten years. The absolute-occupancy tenant's rent is fixed at settlement. The area held in absolute-occupancy right at present is less than 15 per cent of the total tenancy area.

1591. (*b*) Occupancy tenants.—An occupancy tenant is now defined to mean a holder of land who is neither an absolute-occupancy tenant, or a sub-tenant or a village service tenant. His tenure is heritable, but the succession is specially defined by law, and is not the one recognized by the personal law of the tenant. The right is not transferable except by a sub-lease for one year only, or to a co-tenant or heir-expectant. The Tenancy Law specificially prohibits any mortgage in any form either to a co-tenant or to an heir. The land held in this right can therefore not be used as a security for raising loans, and this is a point with which the present enquiry is particularly concerned. The rent of the occupancy tenant is fixed at settlement, or if he acquires his holding during the currency of a settlement, by an agreement between him and his landlord.

1592. (*c*) Sub-tenants.—Sub-tenants are either the lessees from malik-makbuzas or holders of *sir* land or from tenants, and their rights are generally governed by contracts between them and their lessors under the ordinary law of transfer.

1593. (*d*) Village service tenants.—The land held in village service right is held by a village servant on the condition of his rendering certain village service, and is now confined to the village headmen or kotwar. The land held in this right is not heritable, but passes to the successor in office. It is not transferable, except by a sub-lease for one year.

1594. The Land Alienation Act of 1916.—Before leaving the subject of malguzari villages it is desirable to explain briefly the terms of the Land Alienation Act of 1916. This Act is only applicable to those backward tracts to which it has been extended by Government notification. It makes permanent alienations by an aboriginal proprietor in favour of a non-aboriginal dependant on the sanction of the Deputy Commissioner, and also limits the kind of mortgage which can be executed by an aboriginal.

1595. The Gonds are practically the only castes to which this Act applies, and it has only been extended to limited areas. The cases under it have not up to now been very numerous. Its object was to keep the original Gond proprietor in the backward tracts on his land. It is noticed in Chhattisgarh that the credit of the aboriginal tribes has shrunk somewhat since the enactment of the law. Money-lenders are also now springing up amongst these tribes. Economically, however, this Act operates to perpetuate their backwardness.

1596. Ryotwari villages.—The Land Revenue Code provides also for a tenure entirely different from the general malguzari tenure, known as the ryotwari tenure. This tenure exists in the so-called ryotwari villages of the Central Provinces which consists, as has been explained in Chapter II, either of—

(1) malguzari villages which have been escheated and subsequently re-settled in ryotwari tenure, or

(2) villages newly excised from Government forest or waste land.

Under this tenure, land is taken up by private persons as Government ryots on payment of land revenue assessed separately

for each survey number or plot of land. The land revenue is paid direct to Government through a patel who receives a commission for collection. The rights conferred are heritable, but are not transferable except to a co-sharer or heir-expectant or, when sanction has been obtained, by sub-lease. The ryot is liable to be ejected for the breach of certain conditions. It will be clear, therefore, that land held in ryotwari tenure cannot be used as security for loans. The ryot of a ryotwari village in fact has even less credit than the occupancy tenant. Ryotwari villages are more important in Nimar, Mandla, Chanda, Balaghat and Seoni districts.

1597. Berar land tenures.—It is not necessary to add more with regard to lend tenures in Berar than has already been written in Chapter II. It is important to note, however, that 95 per cent of the land held in Berar is transferable by sale, lease or mortgage and therefore provides first class security for loans.

1598. In fact, protection of agriculturists is the rule in the Central Provinces and an exception in Berar.

1599. Need for extending rights of transfer to occupancy tenants and Government ryots.—Throughout our intensive enquiries in all parts of the province, we have found with one or two exceptions, a general desire on the part of occupancy tenants to be granted rights of transfer in their land.

1600. We have explained to them in all cases that the object of restricting transfers has been to secure them in the possession of their holdings. Their reply has almost invariably been, that those persons who desire to transfer their land or who have become hopelessly in debt, do as a matter of fact transfer their land by the device of surrender to the malguzar as has been explained elsewhere, and that the only result of the present restriction is that a part of the transfer value of the land goes to the landlord, and that the tenant suffers accordingly.

1601. The Famine Commission of 1879 held the following views on the subject:—

> "Though the cultivator in the absence of any power of obtaining loans on the security of his holding was never deeply involved, he was seldom free from debt, and lived the life of a contented serf exempt from the risks and responsibilities which accompany the possession of independent right, but also without stimulus to raise himself or to improve his position."

1602. Our general views on this important question are as follows:—It cannot be denied that the greatness of a nation must depend upon the efficiency and spirit of independence of its individual citizens, and any form of restriction of the liberty of the subject, although in some cases it may possibly be necessary, must have certain injurious reactions.

1603. The Government, by granting the right of voting for the election of members of the Provincial Legislative Council to tenants paying a rent above a certain small minimum, has thereby by inplication recognized the capacity of the individual tenant to be the ultimate arbiter in the administration of the country.

It would, therefore, at first sight appear to be paradoxical to deny his capacity for managing his own affairs,and for administering his own small holding.

1604. On the other hand, it has become perfectly clear from our enquiries, as is explained elsewhere, that owing to the absence of the rights of transfer, occupancy tenants have of necessity very little credit in the money market, and are usually compelled as a result when they borrow money to pay considerably higher rates of interest, while, in any case, the amount of money which they can borrow is relatively small.

1605. As is explained in Chapter IV, owing to the extreme variations in crop outturns from year to year, the cultivators of the Central Provinces may at any time be required to take advances to enable them to carry on their profession of agriculture. It has already been explained that the high rates of interest at present prevailing are one of the main causes of the rapid accumulation of debt, and that one of the most urgent economic needs of the country at present is the reduction of the rates of interest by any legitimate and economically sound method.

1606. For this reason alone we are of the opinion that any restriction upon the right of transfer, which is not found to be absolutely necessary, should be removed.

1607. Mr. Turner, C.I.E., I.C.S.—In this connection the evidence of Mr. F. C. Turner, C.I.E., I.C.S., who was for many years Commissioner of Berar, is of peculiar interest. He stated, and we agree with his view, that during the last decade there has been a market advance in the rural areas of the Central Provinces, and that the majority of the tenants are now quite capable of protecting their own interests, and that the time has now come when it should be made possible for them to obtain full rights of transfer in their land.

1608. Land Purchase Act.—With the exception of Rao Bahadur M. G. Deshpande, representative of the landlords of the Central Provinces, we are of the united opinion that the time has now come when a Land Purchase Act should be introduced under which the occupancy tenant should be empowered to purchase full rights of transfer in his land, if he so desires.

1609. Rao Bahadur M. G. Deshpande has prepared a brief note expressing his own views on the subject which we print as an appendix at the end of this chapter.

1610. As regards the ryots in ryotwari villages, we are also of the opinion that in many parts of the province the time has now come when rights of transfer should be granted. As is explained elsewhere these ryots at present when they borrow money are compelled, unless they happen to be men with considerable moveable property and established moral credit, to pay very high rates of interest, 37 per cent annum often being the normal rate charged from these persons in many parts of the province (*vide* Mohbata, Baihar tahsil, Balaghat district, etc., etc., Appendix XXXIX).

1611. We feel that it might be dangerous to extend the full right of transfer to all parts of the province, including those tracts largely inhabited by illiterate aboriginals. But on the other hand, it must be remembered that Government has now introduced a system of selling ryotwari rights by auction, and it would seem to be anachronistic to hold back the rights of transfer in most places where rights are auctioned.

1612. We would suggest that Government should now introduce legislation empowering it to sell by auction the right of transfer in all plots available or becoming available for allotment in ryotwari villages in all those areas, where after enquiry it is found desirable to declare by notification the intention to do so. The right auctioned might be similar to the malik-makbuza right in the Central Provinces or the ordinary plot proprietor's right in Berar.

1613. With regard to existing ryots, those who have been in continuous possession for a certain number of years might be granted the same rights, while ryots with less than 12 years' continuous possession might be allowed to purchase these rights by paying a certain multiple of the assessment. We do not consider it to be our duty to work out a scheme in detail. But we would stress the point that these rights should only be granted in the areas to be notified by Government after careful enquiry. For instance, it is possible that the grant of rights of transfer to the ryots of the Burhanpur tahsil of the Nimar district might lead to the immediate expropriation of the majority of them. We would also not recommend the grant of rights of transfer in any area where ryots are seriously indebted, until facilities for the amortization of existing debts have been provided by the establishment of a land mortgage bank.

1614. The following statement shows the areas held by the various classes of proprietors and tenants in the Central Provinces in 1928-29 :—

	Area in thousands of acres.	
Proprietors.		
(i) Malguzari *sir*	2,621	4,927
(ii) Khudkast	1,496	
(iii) Malik-makbuza ...	749	
(iv) Wholly or partly revenue free ...	61	
Tenants.		
(i) Absolute-occupancy tenants ...	2,162	17,315
(ii) Occupancy tenants ...	15,152	
Other subordinate holders.		
(i) Land held rent-free by grant proprietors ...	61	182
(ii) Service holdings ...	121	
Total ...		22,424
Occupied land in Ryotwari villages ...		1,421
Total occupied land ...		23,845

1615. The Consolidation of Holdings Act.—An Act which may eventually be of some importance is the Consolidation of Holdings Act recently introduced for application in Chhattisgarh.

1616. In Chhattisgarh, where rice cultivation predominates, there has been a considerable amount of fragmentation of holdings as a result of certain historical reasons which need not be discussed here.

1617. The result has been that in many cases cultivators may hold, say, 10 to 12 acres of land divided up into small portions situated in various parts of the village area. The Consolidation of Holdings Act has been introduced to make it possible to re-allot the village area among these persons so as to consolidate holdings into one compact parcel.

1618. The Act has only been quite recently introduced. A beginning has been made in several villages, particularly in the Drug district, and in some cases the number of separate holdings has been reduced to one-tenth by consolidation.

1619. As a matter of fact, in our intensive enquiries, we did not find that this fragmentation had become an economic evil of much importance. In one village (mouza Pendari, Bilaspur district, Appendix E-LXXIX) we were actually informed that the tenants preferred to hold small areas of land in different parts of the village, because they stated that in some years the crops in one part of the village area were better than in others, and that by holding land in several parts of the village they were more likely to get a good crop in at least some part of the land which they held.

1620. This does not appear to be a very cogent argument, but at the same time it must be noted that considerable difficulty has been experienced in the work of consolidation, and that, as a matter of fact, no case has come to our notice in which a person has become heavily indebted as a result of fragmentation in Chhattisgarh.

1621. It is of considerable interest to note that in Chhattisgarh, which is the only part of the province in which it has been thought necessary to introduce special legislation for consolidation of holdings, the cultivators are much less indebted than elsewhere. Having regard to the relative insignificance of cultivators' indebtedness in Chhattisgarh, we feel that we should not be justified in dwelling further on the subject of fragmentation in this division.

1622. The fragmentation to which the Consolidation of Holdings Act is intended to apply is the division of a holding of an individual tenant into a number of scattered and isolated plots.

1623. Small holdings.—Another question to be considered is that of the very small holding which is not, according to the ordinary meaning of the term, an economic holding.

1624. We have explained elsewhere that throughout the province there are a large number of tenants with quite small

holdings, some of which are much less even than 2 acres in area, and many of which are little more than back gardens.

1625. We have, however, already explained that in this case the tenant is almost invariably not a whole-time cultivator, and that his main income is obtained from other sources. Although we have enquired into this important subject with great care throughout our intensive village surveys, we have hardly come across a single case in which a cultivator has become heavily indebted owing to the smallness of his holding. No further discussion of this subject is therefore required here.

II

The Usurious Loans Act.

1626. In 1885 the previous laws restricting interest and limiting in other respects the freedom of contract were repealed by the Usury Laws Repeal Act which made it obligatory on the courts to decree interest at the rate fixed between the parties.

1627. Economic thought at that period was dominated by the doctrines of Jeremy Bentham, and from 1885 it may be said that the sanctity of the contract was fully established in India.

1628. There followed a period as is explained in Chapter II during which a number of landlords were exploited by unscrupulous money-lenders.

1629. Under the law as it then stood, the only remedy against unfair bargains available to the debtor was to plead undue influence. This was in actual operation an impossible task for the unsophisticated villager, and in course of time it was decided to give powers under the Usurious Loans Act to the courts to enable them to go behind contracts and grant relief on an equitable basis.

1630. It is not necessary to discuss this Act in detail here. The Act is sufficiently wide to cover cases of both money and grain loans and also transactions like service agreements which ostensibly are agreements to serve, but in actual fact amount to devices for securing repayment of debt.

1631. The Act covers cases of loans, whether they are secured or unsecured, and empowers courts to re-open and examine transactions, even when they come before them in insolvency proceedings.

1632. Limitations.—While the Act thus gives powers to courts to deal with nearly all cases, the jurisdiction of courts is limited to cases where the courts are satisfied that the rate of interest is "excessive" or the transaction is "unfair".

1633. The Act does not define these terms with any exactitude, but lays down certain criteria to help courts in arriving at conclusions on these points.

1634. Courts have been told to regard as "excessive" a rate of interest which is in excess of what they think reasonable after giving due weight to the risk undertaken by the creditor at the time of the loan, and they are required to determine whether a transaction is unfair in the light of all the circumstances attending the loan, including the debtor's need.

1635. The courts are thus called upon to apply their own standards.

1636. But in doing so it is to be remembered that courts cannot act in an arbitrary manner. One of the fundamental principles of civil justice is that discretion cannot be arbitrarily used, but must be sound and reasonable, and that the court must not apply to parties or cases preconceived notions not supported by the evidence before it.

1637. It is, therefore, obligatory on a judge in exercising his powers under the Act to find out the common standard that obtains among the parties which come before him.

1638. A rate, therefore, which is most common amongst the creditors and debtors, cannot be regarded by the court as unfair, and a rate of interest cannot be branded as excessive, merely because it is high.

1639. In other words a judge cannot be a reformer, but is no more than a dispenser of justice according to the laws of the land.

1640. However much, for instance, a judge may regret bigamy he cannot condemn it in the case of those whose social customs sanction it.

1641. Similarly, a judge cannot pronounce a rate of interest "excessive", if it is a common rate among those who borrow.

1642. These are the limitations under which the courts have to administer the law, and failure to appreciate these is in our opinion the chief cause for the complaints expressed by witnesses as to the little benefit obtained from this measure by agriculturists.

1643. We have been favoured by the Judicial Commissioner with reports from selected District Judges in the province on the working of the Act in various districts, and we find that in nearly all civil districts some relief is granted under the Act.

1644. In a matter like this easy generalization is natural, but we find from reports that cases of hard and unconscionable bargains, which have recently come before the courts in this province, have been relatively rare, and that in many cases relief can also be granted under section 74 of the Indian Contract Act, which enables courts to relieve parties from stipulations made by way of penalty.

1645. All District Judges report that relief is never denied when relief is possible, and that courts are anxious to assist debtors, but that their hands are sometimes tied by the lack of

material placed at their disposal by the debtors or their lawyer friends, and sometimes by the inherent difficulties in applying the provisions of the Act to which we have already alluded.

1646. Most District Judges suggest that the application of the Act would be easier if a limit to interest were fixed by statute.

1647. The judges are at one in suggesting that greater relief to debtors would follow if the rule of Hindu Law known as the rule of Damdupat was made applicable to the Central Provinces districts. We defer the consideration of the rule of Damdupat to a later state.

1648. It is, however, important to note that the object of the Act is to give relief in individual cases and that it is not a measure designed to reform rural finance.

1649. In fact, it would show a complete misunderstanding of economic laws to imagine that the introduction of an Act of this kind could produce an immediate all round reduction of the high rates of interest which agriculturists are ordinarily required to pay under existing conditions.

1650. We have explained elsewhere the measures which are required before the rates of interest paid by agriculturists will fall.

1651. We have alluded to the very comprehensive nature of the Act, and pointed out that the Act is intended to apply to transactions which essentially bear the aspect of loan just as much as to advances in money as in kind.

1652. The District Judge of Amraoti wishes to widen the scope of the Act still further by enabling the courts to interfere in suits for the recovery of lease money.

1653. If the suggestion is intended to imply that courts should have the power to grant relief when, owing to non-payment, lease money has passed into the realm of debt carrying an extortionate rate of interest, it is clear that relief against such transactions is already provided by the wording of the existing Act. On the other hand, if it is proposed that in cases for the recovery of lease money pure and simple the courts should re-open the transaction to determine whether the rent originally fixed between the parties was excessive, we feel that this would be a dangerous innovation which might do more harm than good.

1654. However one may deprecate rack-renting, it would be contrary to the fundamental principles of civil law if the courts were to be given the power to make contracts for the parties.

1655. Lease money is after all the consideration for the use of land, and when the tenant of his own choice elects to take land on lease on an agreement to pay a certain rent, to re-open such a transaction and to fix the rent anew would involve something in the nature of a capital levy.

1656. After all the tenant is himself in the best possible position to estimate the rent which he can pay having regard to the productivity of the soil, and to deprive the landlord of the rent which the tenant has voluntarily agreed to pay, after the latter has taken out what he could from the land, would appear to be a dangerous and economically unsound proceeding.

1657. We are, therefore, not in favour of any radical change of this kind.

1658. A proposal was also made to us that the Deputy Commissioner of the district from time to time should report to the civil courts what was a fair rate of interest on ordinary loans secured and unsecured according to the prevailing state of the money market.

1659. We fully realize that it must always be an extremely difficult matter for a civil court to determine what is a fair rate of interest, but as we have already pointed out, we do not feel that the civil courts should be required to go beyond what is the prevailing rate or interest for ordinary contracts of the kind.

1660. We feel that we should rely upon other methods, *i.e.*, upon improving credit facilities and upon the general economic development of the country for an eventual reduction in the rates of interest, rather than upon a special Act of legislation which must be confined to giving relief in individual cases of hard bargains, and which cannot be extended so as to generally control the money market.

III

The Money-lenders' Act.

1661. Up to now no Act regulating the business of money lending, like the Money-lenders' Act of 1927 of Great Britain or the Punjab Regulation of Accounts Act has yet been introduced into this province.

1662. In the earlier portion of this report, we have endeavoured to present an accurate picture of the system of indigenous finance which has developed in the course of generations to meet certain needs.

1663. It is true, as is explained elsewhere, that the methods of business of the indigenous money-lender do not usually conform to the principles observed by modern banks and financial agencies, but we have, however, endeavoured to avoid the mistake of exaggerating the evils of the system.

1664. There is no doubt that the village money-lender and sowkar in the past served as a very suitable and usually adequate financial agency, dishonesty and usurious methods being restricted by the nature of his environments and by the fact that he depended very largely upon the good will of the villagers for the maintenance of his business as we have explained in Chapter II.

1665. With the development of trade and commerce upon more modern western lines, the methods of the indigenous sowkar and money-lender have become in some respects old fashioned, and are capable of improvement and modernization. We have

discussed this question in Chapters XIII and XIV of this report. It is true also that a percentage of dishonest and unscrupulous money-lenders can be found who resort to underhand and usurious methods for preying upon unsophisticated and illiterate persons.

1666. We have no reason to believe, however, that this percentage is nowadays a very large one, while a mass of evidence produced before us goes to show that the cultivator is daily becoming more capable of guarding his own interests. There must always, however, remain loop-holes for unfair bargains, undue influence and fraud, as long as the great mass of the community are illiterate and not able to calculate interest or to understand accounts, and are at the same time often in urgent need of advances.

1667. We have explained now in the old days, when the opinion of the village elders had much of the force of law, when the village was largely self-sufficing and the local money-lender was dependant upon favourable public opinion and the goodwill of his fellow villagers for the security of his personal property and for the carrying on of his business, there was little scope for usury and dishonest methods. The local money-lender was never able to recover more than public opinion considered to be just and equitable. Exceptional cases of course existed where the strong man preyed upon the weak.

1668. We have also explained how, with the introduction of a western Code of Law based upon the sanctity of the contract and western methods of legal procedure, the pen became mightier than the sword or lathi, and the law was sometimes used for the enforcement of extortionate and unfair bargains.

1669. It will not be disputed that, if the present system of law and present environments still provide loop-holes to unscrupulous persons for fraud, usury and unfair bargains, it is the duty of the State to close those loop-holes as far as it is humanly possible to do so.

1670. We have found, in many parts of the province, as we have explained in our village notes, that local money-lenders often refused to grant receipts for repayments.

1671. In many villages also we found that the villagers themselves were unable to understand accounts and admittedly relied upon their sowkar for the accuracy of the claims of principal and interest which he made upon them.

1672. We have noted, however, many instances in which in spite of the opportunities for dishonesty which these conditions create, the local villagers had no complaint to make against their local financiers. In many cases the local money-lender had a good reputation for honesty and fair dealing among his clients, e.g., money-lenders of Chandas (Appendix E-XVI) in the Basim taluq of the Akola district.

1673. The fact that in many cases the indigenous money-lender has not abused the special opportunities for dishonesty which occur is no doubt highly creditable to him, but at the same time, a certain number of unscrupulous and dishonest money-

1634. Courts have been told to regard as "excessive" a rate of interest which is in excess of what they think reasonable after giving due weight to the risk undertaken by the creditor at the time of the loan, and they are required to determine whether a transaction is unfair in the light of all the circumstances attending the loan, including the debtor's need.

1635. The courts are thus called upon to apply their own standards.

1636. But in doing so it is to be remembered that courts cannot act in an arbitrary manner. One of the fundamental principles of civil justice is that discretion cannot be arbitrarily used, but must be sound and reasonable, and that the court must not apply to parties or cases preconceived notions not supported by the evidence before it.

1637. It is, therefore, obligatory on a judge in exercising his powers under the Act to find out the common standard that obtains among the parties which come before him.

1638. A rate, therefore, which is most common amongst the creditors and debtors, cannot be regarded by the court as unfair, and a rate of interest cannot be branded as excessive, merely because it is high.

1639. In other words a judge cannot be a reformer, but is no more than a dispenser of justice according to the laws of the land.

1640. However much, for instance, a judge may regret bigamy he cannot condemn it in the case of those whose social customs sanction it.

1641. Similarly, a judge cannot pronounce a rate of interest "excessive", if it is a common rate among those who borrow.

1642. These are the limitations under which the courts have to administer the law, and failure to appreciate these is in our opinion the chief cause for the complaints expressed by witnesses as to the little benefit obtained from this measure by agriculturists.

1643. We have been favoured by the Judicial Commissioner with reports from selected District Judges in the province on the working of the Act in various districts, and we find that in nearly all civil districts some relief is granted under the Act.

1644. In a matter like this easy generalization is natural, but we find from reports that cases of hard and unconscionable bargains, which have recently come before the courts in this province, have been relatively rare, and that in many cases relief can also be granted under section 74 of the Indian Contract Act, which enables courts to relieve parties from stipulations made by way of penalty.

1645. All District Judges report that relief is never denied when relief is possible, and that courts are anxious to assist debtors, but that their hands are sometimes tied by the lack of

material placed at their disposal by the debtors or their lawyer friends, and sometimes by the inherent difficulties in applying the provisions of the Act to which we have already alluded.

1646. Most District Judges suggest that the application of the Act would be easier if a limit to interest were fixed by statute.

1647. The judges are at one in suggesting that greater relief to debtors would follow if the rule of Hindu Law known as the rule of Damdupat was made applicable to the Central Provinces districts. We defer the consideration of the rule of Damdupat to a later state.

1648. It is, however, important to note that the object of the Act is to give relief in individual cases and that it is not a measure designed to reform rural finance.

1649. In fact, it would show a complete misunderstanding of economic laws to imagine that the introduction of an Act of this kind could produce an immediate all round reduction of the high rates of interest which agriculturists are ordinarily required to pay under existing conditions.

1650. We have explained elsewhere the measures which are required before the rates of interest paid by agriculturists will fall.

1651. We have alluded to the very comprehensive nature of the Act, and pointed out that the Act is intended to apply to transactions which essentially bear the aspect of loan just as much as to advances in money as in kind.

1652. The District Judge of Amraoti wishes to widen the scope of the Act still further by enabling the courts to interfere in suits for the recovery of lease money.

1653. If the suggestion is intended to imply that courts should have the power to grant relief when, owing to non-payment, lease money has passed into the realm of debt carrying an extortionate rate of interest, it is clear that relief against such transactions is already provided by the wording of the existing Act. On the other hand, if it is proposed that in cases for the recovery of lease money pure and simple the courts should re-open the transaction to determine whether the rent originally fixed between the parties was excessive, we feel that this would be a dangerous innovation which might do more harm than good.

1654. However one may deprecate rack-renting, it would be contrary to the fundamental principles of civil law if the courts were to be given the power to make contracts for the parties.

1655. Lease money is after all the consideration for the use of land, and when the tenant of his own choice elects to take land on lease on an agreement to pay a certain rent, to re-open such a transaction and to fix the rent anew would involve something in the nature of a capital levy.

1656. After all the tenant is himself in the best possible position to estimate the rent which he can pay having regard to the productivity of the soil, and to deprive the landlord of the rent which the tenant has voluntarily agreed to pay, after the latter has taken out what he could from the land, would appear to be a dangerous and economically unsound proceeding.

1657. We are, therefore, not in favour of any radical change of this kind.

1658. A proposal was also made to us that the Deputy Commissioner of the district from time to time should report to the civil courts what was a fair rate of interest on ordinary loans secured and unsecured according to the prevailing state of the money market.

1659. We fully realize that it must always be an extremely difficult matter for a civil court to determine what is a fair rate of interest, but as we have already pointed out, we do not feel that the civil courts should be required to go beyond what is the prevailing rate or interest for ordinary contracts of the kind.

1660. We feel that we should rely upon other methods, *i.e.*, upon improving credit facilities and upon the general economic development of the country for an eventual reduction in the rates of interest, rather than upon a special Act of legislation which must be confined to giving relief in individual cases of hard bargains, and which cannot be extended so as to generally control the money market.

III

The Money-lenders' Act.

1661. Up to now no Act regulating the business of money lending, like the Money-lenders' Act of 1927 of Great Britain or the Punjab Regulation of Accounts Act has yet been introduced into this province.

1662. In the earlier portion of this report, we have endeavoured to present an accurate picture of the system of indigenous finance which has developed in the course of generations to meet certain needs.

1663. It is true, as is explained elsewhere, that the methods of business of the indigenous money-lender do not usually conform to the principles observed by modern banks and financial agencies, but we have, however, endeavoured to avoid the mistake of exaggerating the evils of the system.

1664. There is no doubt that the village money-lender and sowkar in the past served as a very suitable and usually adequate financial agency, dishonesty and usurious methods being restricted by the nature of his environments and by the fact that he depended very largely upon the good will of the villagers for the maintenance of his business as we have explained in Chapter II.

1665. With the development of trade and commerce upon more modern western lines, the methods of the indigenous sowkar and money-lender have become in some respects old fashioned, and are capable of improvement and modernization. We have

discussed this question in Chapters XIII and XIV of this report. It is true also that a percentage of dishonest and unscrupulous money-lenders can be found who resort to underhand and usurious methods for preying upon unsophisticated and illiterate persons.

1666. We have no reason to believe, however, that this percentage is nowadays a very large one, while a mass of evidence produced before us goes to show that the cultivator is daily becoming more capable of guarding his own interests. There must always, however, remain loop-holes for unfair bargains, undue influence and fraud, as long as the great mass of the community are illiterate and not able to calculate interest or to understand accounts, and are at the same time often in urgent need of advances.

1667. We have explained now in the old days, when the opinion of the village elders had much of the force of law, when the village was largely self-sufficing and the local money-lender was dependant upon favourable public opinion and the goodwill of his fellow villagers for the security of his personal property and for the carrying on of his business, there was little scope for usury and dishonest methods. The local money-lender was never able to recover more than public opinion considered to be just and equitable. Exceptional cases of course existed where the strong man preyed upon the weak.

1668. We have also explained how, with the introduction of a western Code of Law based upon the sanctity of the contract and western methods of legal procedure, the pen became mightier than the sword or lathi, and the law was sometimes used for the enforcement of extortionate and unfair bargains.

1669. It will not be disputed that, if the present system of law and present environments still provide loop-holes to unscrupulous persons for fraud, usury and unfair bargains, it is the duty of the State to close those loop-holes as far as it is humanly possible to do so.

1670. We have found, in many parts of the province, as we have explained in our village notes, that local money-lenders often refused to grant receipts for repayments.

1671. In many villages also we found that the villagers themselves were unable to understand accounts and admittedly relied upon their sowkar for the accuracy of the claims of principal and interest which he made upon them.

1672. We have noted, however, many instances in which in spite of the opportunities for dishonesty which these conditions create, the local villagers had no complaint to make against their local financiers. In many cases the local money-lender had a good reputation for honesty and fair dealing among his clients, *e.g.*, money-lenders of Chandas (Appendix E-XVI) in the Basim taluq of the Akola district.

1673. The fact that in many cases the indigenous money-lender has not abused the special opportunities for dishonesty which occur is no doubt highly creditable to him, but at the same time, a certain number of unscrupulous and dishonest money-

1656. After all the tenant is himself in the best possible position to estimate the rent which he can pay having regard to the productivity of the soil, and to deprive the landlord of the rent which the tenant has voluntarily agreed to pay, after the latter has taken out what he could from the land, would appear to be a dangerous and economically unsound proceeding.

1657. We are, therefore, not in favour of any radical change of this kind.

1658. A proposal was also made to us that the Deputy Commissioner of the district from time to time should report to the civil courts what was a fair rate of interest on ordinary loans secured and unsecured according to the prevailing state of the money market.

1659. We fully realize that it must always be an extremely difficult matter for a civil court to determine what is a fair rate of interest, but as we have already pointed out, we do not feel that the civil courts should be required to go beyond what is the prevailing rate or interest for ordinary contracts of the kind.

1660. We feel that we should rely upon other methods, *i.e.*, upon improving credit facilities and upon the general economic development of the country for an eventual reduction in the rates of interest, rather than upon a special Act of legislation which must be confined to giving relief in individual cases of hard bargains, and which cannot be extended so as to generally control the money market.

III

The Money-lenders' Act.

1661. Up to now no Act regulating the business of money lending, like the Money-lenders' Act of 1927 of Great Britain or the Punjab Regulation of Accounts Act has yet been introduced into this province.

1662. In the earlier portion of this report, we have endeavoured to present an accurate picture of the system of indigenous finance which has developed in the course of generations to meet certain needs.

1663. It is true, as is explained elsewhere, that the methods of business of the indigenous money-lender do not usually conform to the principles observed by modern banks and financial agencies, but we have, however, endeavoured to avoid the mistake of exaggerating the evils of the system.

1664. There is no doubt that the village money-lender and sowkar in the past served as a very suitable and usually adequate financial agency, dishonesty and usurious methods being restricted by the nature of his environments and by the fact that he depended very largely upon the good will of the villagers for the maintenance of his business as we have explained in Chapter II.

1665. With the development of trade and commerce upon more modern western lines, the methods of the indigenous sowkar and money-lender have become in some respects old fashioned, and are capable of improvement and modernization. We have

discussed this question in Chapters XIII and XIV of this report. It is true also that a percentage of dishonest and unscrupulous money-lenders can be found who resort to underhand and usurious methods for preying upon unsophisticated and illiterate persons.

1666. We have no reason to believe, however, that this percentage is nowadays a very large one, while a mass of evidence produced before us goes to show that the cultivator is daily becoming more capable of guarding his own interests. There must always, however, remain loop-holes for unfair bargains, undue influence and fraud, as long as the great mass of the community are illiterate and not able to calculate interest or to understand accounts, and are at the same time often in urgent need of advances.

1667. We have explained now in the old days, when the opinion of the village elders had much of the force of law, when the village was largely self-sufficing and the local money-lender was dependant upon favourable public opinion and the goodwill of his fellow villagers for the security of his personal property and for the carrying on of his business, there was little scope for usury and dishonest methods. The local money-lender was never able to recover more than public opinion considered to be just and equitable. Exceptional cases of course existed where the strong man preyed upon the weak.

1668. We have also explained how, with the introduction of a western Code of Law based upon the sanctity of the contract and western methods of legal procedure, the pen became mightier than the sword or lathi, and the law was sometimes used for the enforcement of extortionate and unfair bargains.

1669. It will not be disputed that, if the present system of law and present environments still provide loop-holes to unscrupulous persons for fraud, usury and unfair bargains, it is the duty of the State to close those loop-holes as far as it is humanly possible to do so.

1670. We have found, in many parts of the province, as we have explained in our village notes, that local money-lenders often refused to grant receipts for repayments.

1671. In many villages also we found that the villagers themselves were unable to understand accounts and admittedly relied upon their sowkar for the accuracy of the claims of principal and interest which he made upon them.

1672. We have noted, however, many instances in which in spite of the opportunities for dishonesty which these conditions create, the local villagers had no complaint to make against their local financiers. In many cases the local money-lender had a good reputation for honesty and fair dealing among his clients, *e.g.*, money-lenders of Chandas (Appendix E-XVI) in the Basim taluq of the Akola district.

1673. The fact that in many cases the indigenous money-lender has not abused the special opportunities for dishonesty which occur is no doubt highly creditable to him, but at the same time, a certain number of unscrupulous and dishonest money-

lenders do exist. The Rohillas and Kabulis, as we have explained elsewhere, depend upon their lathi rather than upon the law for the recovery of their claims, and with them, extortion and highhandedness is the general rule rather than the exception. Fortunately, these persons are not very numerous, although, from the evidence produced before us, it would seem as if their numbers were increasing. It was also gratifying to learn that, in several cases, the villagers had begun to repay these highhanded gentlemen in their own coin.

1674. In addition there are also a certain number of unscrupulous money-lenders, particularly among the petty money-lenders, who have no particular status to maintain; and the number of these persons and the degree of their sharp practice in any particular locality largely depends upon the degree of backwardness of the community among whom their operations are conducted. Among the landlords also, there are a certain number of black sheep. There is no doubt that, with the gradual extension of education and the general awakening of the masses, the opportunities for dishonesty and extortion will gradually diminish; but in the meanwhile, we consider that it is most necessary that legislation should be introduced to remove those defects which at present exist, and to minimize the temptations of unscrupulous persons to practise dishonesty.

1675. **Receipts should be passed.**—In the first place, it appears to us to be essential that the money-lender should grant a receipt for every payment which is made, and we recommend the introduction of a counterfoil receipt, the money-lender for his own protection being at liberty to take the signature or thumb mark of the borrower, whenever repayment is made, as evidence that a receipt has been granted.

1676. **Accounts to be kept and copies supplied half-yearly.**—In the same way also, it appears to be at once most necessary to insist that money-lenders should keep accounts and should grant copies of these accounts at regular intervals. We consider that, if copies of accounts were granted twice a year, this would not place an unfair burden on the money-lender.

1677. **Licensing.**—We are also of the opinion that some control should be exercised over those persons who practise the business of money-lending, so as to prevent them from habitual misbehaviour.

1678. After very careful consideration and reflection we have come to the conclusion that the form of control, which would at once be most efficient and least vexatious to the money-lenders themselves, would be by way of licence. We have considered this question in Chapter XIII and XIV of the report. We have consulted a large number of indigenous bankers and money-lenders, and find that very few among the responsible persons of this class have any objections to offer to the introduction of the system of licensing of money-lenders.

1679. We would propose that licences be freely granted to all those persons who desire to carry on the business of money-lending. They might be obtainable, on demand, on payment of

nominal fee, at the nearest post office, where a register would be maintained, containing entries of the names and addresses of all those persons who purchase licences, a copy of these entries being forwarded forthwith by the postal department to the District Judge and the Deputy Commissioner of the district for record in their offices.

1680. Conditions of the licence.—The grant of these licences would be subject to certain conditions, *viz.*—

(i) that receipts be always granted on counterfoils for all payments made;

(ii) that the account of each individual borrower be separately maintained and a copy of it furnished, whenever demanded by the money-lenders' clients, on payment of the writing charges, subject to a limit of not more than one copy of the accounts every six months;

(iii) that the licence would be liable to immediate cancellation by the District Judge, on proof that the money-lender had failed to comply with all these conditions or had been guilty of any such malpractices, unconscionable bargains or extortion, which, in the opinion of the District Judge, rendered him unfit to hold a licence for money-lending.

1681. Compound interest may be charged after one year.—It has also been urged before us that the levy of compound interest should be prohibited. We are aware that the charging of compound interest is prohibited under the English Money Lenders' Act: but, on the other hand, compound interest is invariably charged even by the commercial banks, and after all, the charging of compound interest only becomes possible when the borrower fails to make regular payments of interest.

1682. We are, therefore, not prepared to go so far as to recommend the prohibition of compound interest: but we would place a limit upon the rest or period after which it can be calculated. We would suggest that the minimum period for a rest upon which compound interest could be added should be one year. We imagine that a limitation of this kind would, of necessity, apply to all forms of money-lending, and we understand that this might involve some amendment in the present methods of business of the Imperial Bank of India.

It has also been suggested to us that a maximum rate of interest should be fixed by law and some of the members of our Committee are in favour of a proposal of this kind.

1683. Rule of Damdupat.—In Berar, the old Hindu Law of Damdupat is recognized by the courts, under which the creditor cannot recover as interest more than the total amount of principal admitted at the last agreement. The original meaning of the law of Damdupat clearly was that the creditor should not recover more in interest than the amount of principal which he had originally advanced: but the courts of law have given a different interpretation and, at present, do not go beyond the last agreement or contract: that is to say, if a debtor has admitted in a bond or agreement that a certain sum, including principal and

interest, was due from him on a certain date, and has promised to make repayment, the courts will consider the total sum then admitted, to be the principal for purposes of calculating the total amount of interest recoverable.

We doubt very much whether the law of Damdupat, as interpreted by the Courts of Law, has been of much service to the people of Berar. It is at least noticeable that the ordinary rates of interest upon good security are higher in Berar than in the Central Provinces where the law of Damdupat is not in force.

1684. Fixation of maximum rate of interest.—Some of us are of the opinion that the fixation of an absolute maximum amount of interest would at least prevent extortionate agreements for the payment of sums above that amount, and would prevent the granting of loans to persons of no credit. We have discussed this in Chapter XIV. A number of witnesses, on the other hand, have brought to our notice the practice of including a certain amount of interest in the ostensible capital at the time of writing the agreement, and it is not uncommon for bonds to be written for, say, Rs. 100 at a certain rate of interest although Rs. 80 only in cash are actually advanced.

1685. We have, however, after full consideration of the difficulties attendant on the proposal tentatively recommended in Chapter XIII the fixation of a maximum rate of interest.

1686. There remains then the question as to the sanction required for the enforcement of these conditions. Rao Bahadur K. V. Brahma, C.I.E., O.B.E., is of the opinion that it is not desirable to fix a penal stipulation, and is of the opinion that an enactment on the lines of the Punjab Regulation of Accounts Act will suffice, that is to say, that it will suffice for courts of law to refuse to recognize the claims of money-lenders, who have failed to comply with the conditions laid down under the terms of their licence.

1687. The majority of us, however, are of a different opinion. We are of the opinion that the regulations and restrictions, which we consider necessary to introduce, are necessary only for the regulation of those persons who, as often as not, do not bring their cases into the courts of law at all. This is particularly the case with the Rohilla and Kabuli money-lenders.

1688. The mere refusal of the court to decree their claims when they fail to abide by such regulations, would not operate to restrict their present activities, for the reason that they are, at present, not in the habit of relying on the courts of law for assisting them in the recovery of claims, but themselves collect their demands by highhanded methods, which often involve personal violence and assault.

1689. Practice of money-lending without a licence to be penalized.—For controlling all those persons, who themselves very largely ignore the courts of law, it would be in our opinion wholly infructuous to pass an enactment requiring that the courts

should disregard their claims; and we are, therefore, of the opinion, although the proposal may at first sight seem radical, that the best form of regulation would be to make the practising of money-lending without a licence an offence punishable by law.

1690. An enactment of this kind would not cause any hardship or trouble to any but dishonest and unscrupulous persons. Licences would be granted, in the first instance, as a matter of course, and would continue, unless and until the licensee was guilty of some dishonest or high-handed action. The cancellation of the licence, however, would debar the licensee from practising as a money-lender in future, and any person who continued to carry on money-lending without a licence would be liable to punishment under the law.

1691. A regulation of this kind would operate, we feel, as the strongest possible deterrent to the usurers and extortioners, and would do much to purify and improve the business of money-lending.

1692. It is possible that this proposal may at first meet with considerable opposition from the money-lending class.

1693. But no stone should be left unturned to make it clear to the public that the object of this regulation is not to create Government influence over the financiers and money-lenders nor to interfere with the freedom of operations of all honest and straightforward persons, but that its sole aim is to weed out the black sheep and to purify the business of money-lending.

1694. We feel that it should be perfectly obvious that a regulation of this kind will have no effect upon any person who desires to carry on the business of money-lending in an honest and straightforward manner, and that, therefore, there is no just reason why the money-lending class should be opposed to its enforcement.

1695. We, therefore, recommend the very early introduction of legislation of this kind by the Local Government.

1696. We have not thought it necessary, at this stage, to elaborate our proposals in greater detail.

1697. **Civil courts to have the jurisdiction.**—We have, however, thought it desirable to recommend that the duty of the cancellation of licences should be entrusted to the civil courts, in order that the opponents of these regulations may not have the opportunity for suggesting that the object of these proposals is to increase the influence of the Deputy Commissioner or the executive officers of Government over the money-lending classes.

1698. We recommend that the executive officers of Government should have nothing to do with either the granting or cancellation of licences, although it would of course be their duty to report to the District Judge any cases of extortion or breaches of the conditions of a licence which came to their notice

interest, was due from him on a certain date, and has promised to make repayment, the courts will consider the total sum then admitted, to be the principal for purposes of calculating the total amount of interest recoverable.

We doubt very much whether the law of Damdupat, as interpreted by the Courts of Law, has been of much service to the people of Berar. It is at least noticeable that the ordinary rates of interest upon good security are higher in Berar than in the Central Provinces where the law of Damdupat is not in force.

1684. **Fixation of maximum rate of interest.**—Some of us are of the opinion that the fixation of an absolute maximum amount of interest would at least prevent extortionate agreements for the payment of sums above that amount, and would prevent the granting of loans to persons of no credit. We have discussed this in Chapter XIV. A number of witnesses, on the other hand, have brought to our notice the practice of including a certain amount of interest in the ostensible capital at the time of writing the agreement, and it is not uncommon for bonds to be written for, say, Rs. 100 at a certain rate of interest although Rs. 80 only in cash are actually advanced.

1685. We have, however, after full consideration of the difficulties attendant on the proposal tentatively recommended in Chapter XIII the fixation of a maximum rate of interest.

1686. There remains then the question as to the sanction required for the enforcement of these conditions. Rao Bahadur K. V. Brahma, C.I.E., O.B.E., is of the opinion that it is not desirable to fix a penal stipulation, and is of the opinion that an enactment on the lines of the Punjab Regulation of Accounts Act will suffice, that is to say, that it will suffice for courts of law to refuse to recognize the claims of money-lenders, who have failed to comply with the conditions laid down under the terms of their licence.

1687. The majority of us, however, are of a different opinion. We are of the opinion that the regulations and restrictions, which we consider necessary to introduce, are necessary only for the regulation of those persons who, as often as not, do not bring their cases into the courts of law at all. This is particularly the case with the Rohilla and Kabuli money-lenders.

1688. The mere refusal of the court to decree their claims when they fail to abide by such regulations, would not operate to restrict their present activities, for the reason that they are, at present, not in the habit of relying on the courts of law for assisting them in the recovery of claims, but themselves collect their demands by highhanded methods, which often involve personal violence and assault.

1689. **Practice of money-lending without a licence to be penalized.**—For controlling all those persons, who themselves very largely ignore the courts of law, it would be in our opinion wholly infructuous to pass an enactment requiring that the courts

should disregard their claims; and we are, therefore, of the opinion, although the proposal may at first sight seem radical, that the best form of regulation would be to make the practising of money-lending without a licence an offence punishable by law.

1690. An enactment of this kind would not cause any hardship or trouble to any but dishonest and unscrupulous persons. Licences would be granted, in the first instance, as a matter of course, and would continue, unless and until the licensee was guilty of some dishonest or high-handed action. The cancellation of the licence, however, would debar the licensee from practising as a money-lender in future, and any person who continued to carry on money-lending without a licence would be liable to punishment under the law.

1691. A regulation of this kind would operate, we feel, as the strongest possible deterrent to the usurers and extortioners, and would do much to purify and improve the business of money-lending.

1692. It is possible that this proposal may at first meet with considerable opposition from the money-lending class.

1693. But no stone should be left unturned to make it clear to the public that the object of this regulation is not to create Government influence over the financiers and money-lenders nor to interfere with the freedom of operations of all honest and straightforward persons, but that its sole aim is to weed out the black sheep and to purify the business of money-lending.

1694. We feel that it should be perfectly obvious that a regulation of this kind will have no effect upon any person who desires to carry on the business of money-lending in an honest and straightforward manner, and that, therefore, there is no just reason why the money-lending class should be opposed to its enforcement.

1695. We, therefore, recommend the very early introduction of legislation of this kind by the Local Government.

1696. We have not thought it necessary, at this stage, to elaborate our proposals in greater detail.

1697. **Civil courts to have the jurisdiction.**—We have, however, thought it desirable to recommend that the duty of the cancellation of licences should be entrusted to the civil courts, in order that the opponents of these regulations may not have the opportunity for suggesting that the object of these proposals is to increase the influence of the Deputy Commissioner or the executive officers of Government over the money-lending classes.

1698. We recommend that the executive officers of Government should have nothing to do with either the granting or cancellation of licences, although it would of course be their duty to report to the District Judge any cases of extortion or breaches of the conditions of a licence which came to their notice

1699. **Objections to the proposed legislation considered.**—One of the objections to this proposal, which has been raised, is that it may operate harshly in the case of small illiterate money-lenders, and particularly in the case of certain widows and others who are alleged to support themselves by petty money-lending.

1700. It has also been stated that it would be unreasonable to require a person, who did not habitually lend money, to take out a licence before he could do so.

1701. As regards the first objection, we feel very strongly that, in considering questions of the public welfare, we should not lose sight of the fact that the individual must always suffer in great causes, and in fact although it is possible that the enforcement of this regulation may operate to debar a certain number of illiterate petty money-lenders from carrying on this profession, we consider that, on economic grounds, it is far better that these persons should invest their capital in some productive business, rather than that the development and improvement of the rural finances of the country should be delayed, in order to provide facilities for persons to carry on a profession for which they are themselves unfitted.

As regards the second objection, it can be laid down that only persons who make loans habitually, *i.e.*, to more than one person, need take out a licence.

IV

The Insolvency Act.

1702. The circumstances under which the Insolvency Act, the Usurious Loans Act and other protective legislation were introduced is discussed earlier in this report.

1703. We have also explained how sowkars and money-lenders complain that some borrowers have become "chalak" or cunning, while a number of money-lenders have represented to us that the Insolvency Act only creates loopholes for dishonesty and for defrauding creditors, thereby increasing the risks and difficulties of the money-lending business, and has therefore become an important contributory cause of an increase in interest charges. They have, therefore, urged that the Act should be repealed.

1704. **Misunderstanding regarding the objects of the Act.**—Our enquiries show that there is a great deal of misunderstanding with regard to the purport of the Insolvency Act.

1705. The Act is framed in order to give the borrower, who finds himself overwhelmed with debts through misfortunes outside his control, an opportunity of making a fresh start in life: but at the same time, it is intended to make possible a rateable distribution of the available assets among the creditors, and to ensure that all creditors obtain a fair share of whatever assets are available for distribution.

1706. To repeal the Act would be only to create further opportunities for the defranding of creditors by dishonest transfers and concealment of assets.

1707. An important fact which is sometimes lost sight of is that neither the presentation of a petition in insolvency nor even an order of adjudication necessarily results in the debtor being protected from arrest and detention in jail in execution of the decree.

1708. The court has full discretion to grant or withhold protection in these cases, and this discretion is intended to be used to prevent debtors from misusing the insolvency law to defraud their creditors.

1709. As order of adjudication operates to vest all the properties of the insolvent in the court or in the receiver appointed by it and to prevent creditors from proceeding against their property except through the insolvency court, the intention being to prevent a scramble for realization of debts and to create a fund from which all unsecured creditors may get a pro-rato share. An order of adjudication also casts upon the insolvent a definite responsibility to aid to his utmost in the realization of his assets and in their distribution among his creditors.

1710. This leads us immediately to the question of discharge from insolvency.

1711. **Importance of discharge proceedings not realized.**— It is not always realized that it is now obligatory on the debtor to apply for his discharge and failure on his part to do so within the time given by the court entails the consequence of the protection of insolvency being taken away from him.

1712. It is also not always realized that the debtor does not get a discharge on his mere asking for it; the creditors are at liberty to oppose the application, while the courts are empowered to give conditional discharges.

1713. The proper working of the Insolvency Act, however, depends upon adequate attention being given to the discharge proceedings and, if the courts give proper care and attention to these proceedings, it is almost impossible for a dishonest debtor to obtain unfair advantages from the Act.

1714. The Civil Justice Committee, which examined the working of the Act in 1925, observes as follows:—"In India it is "much more difficult than in England to ascertain what the "debtor's property is or has been. A host of debtors seem to "have no assets whatsoever. They come into court under pres- "sure of imprisonment for debt, declare themselves to be possessed "of no assets, save their clothes and a *lota*, produce a *lota* in "confirmation of their statement, and request (successfully in "many cases) to be white-washed."

1715. "In an enormous number of cases accordingly there "is no need to appoint a receiver and no receiver is appointed, "because there is nothing to receive."

1716. "Again it is much more difficult in India to trace "transactions in the absence of books of accounts or at least of "reliable books of account. In view of the joint family system

"and the prevalence of benami transactions, the task of tracing "assets involves more trouble, more difficulty and more outlay. "Just as many concerns become insolvent by reason of the diffi- "culty and expense of the law courts, so, though the legal "machinery is complete (since 1920) for the purpose of ripping "up past transactions if fraudulent, the trouble, expense, and "delay of putting it in motion are prohibitive."

1717. "The risk of abuse and other reasons having prevent- "ed the Legislature from establishing in the provinces any in- "quisitorial procedure as regards third persons, a receiver acting "for the benefit of creditors has to take much greater risks than "a trustee in bankruptcy would have to do before launching a "bankruptcy motion in an English court."

1718. "Again the Legislature has hedged round with special "safeguards the methods of prosecution for insolvency offences. "These make conviction very difficult to secure, especially as in "Indian courts the seriousness of an insolvency offence is almost "certain to be lightly estimated. Indeed, there is but slender "chance before the tribunals in India of a debtor receiving a really "heavy sentence for a mere insolvency offence, *e.g.*, for a fraudu- "lent omission in his statement of affairs."

1719. "There appears to be no particular feeling of disgrace "as regards an appearence in insolvency. A man who cannot "trade where he is known as undischarged insolvent, can readily "move elsewhere in India and carry on in safety.

"Beyond all this is the circumstance that the moment the "matter goes into the insolvency court, the creditors give up hope "and refuse to throw good money after bad."

1720. In the light of our experience, however, we feel that this statement without further explanation gives a rather distorted impression of the real state of affairs.

1721. It is undoubtedly true, as we have explained elsewhere, that a percentage of dishonest debtors exist: but our enquiries show that this percentage is relatively small.

1722. It should also be borne in mind that the number of debtors who put in petitions in the insolvency court represents only a microscopic percentage of the total number of borrowers.

1723. Through the courtesy of the Judicial Commissioner we have been supplied with the views of numerous District Judges in the province on the working of the Act, which are attached in Appendix H, and a reference to them is invited. The District Judges of Berar and of Jubbulpore, Nimar, Nagpur and Raipur report that the Act is mostly resorted to by debtors. But the District Judge, Raipur, points out that the real purport and provisions of the law are not properly understood by the people, and that some debtors applied to the court without adequate reason.

1724. The District Judge, Amraoti, states that creditors very rarely apply for penal action against dishonest debtors and are unwilling to spend money on these proceedings.

1725. Necessity of giving wide publicity to the main provisions of the Act in vernaculars of the province.—We feel that the time has now come when Government should endeavour to educate public opinion with regard to the real purport of this Act by issuing a suitable pamphlet in the local vernaculars of the province, explaining the chief provisions of the law and emphasizing the methods by which both creditors and debtors can obtain protection under it from malpractices.

1726. Case for whole-time Insolvency Courts.—But it also appears to us from an examination of this important subject that the machinery required for implementing the provisions of the insolvency law is at present in some respects inadequate.

The machinery required consists of—

(i) courts of law to decide questions arising under the Insolvency Law,

(ii) agencies for realization and distribution of the assets of the insolvent, *i.e.*, receivers, and

(iii) an agency for bringing fraudulent debtors to book.

1727. In this province it is the custom to invest the ordinary subordinate judges with power to deal with cases under the Insolvency Act

1728. We have at present no separate full-time insolvency courts.

1729. The average Subordinate Judge has a full file of regular work to dispose of, and there is an inevitable tendency to treat insolvency proceedings more or less as work of a miscellaneous nature. The reports of District Judges indicate that work under the Insolvency Act is on the increase. It is not, therefore, surprising to find, that insolvency work is often relegated to the back ground, and does not receive sufficient attention from the court concerned.

1730. Work under the Insolvency Act is of a special kind, and the principles underlying the law sometimes perplex even those who are well versed in other branches of the law.

1731. We fully approve of the suggestions made by the District Judges of Nagpur and Akola for the appointment of whole-time insolvency courts.

1732. The Civil Justice Committee has pointed out that in India the insolvency law is very little understood, and that this is true not only of the general public, but also in many cases of the courts, which have to take part in its administration.

1733. The appointment of whole-time insolvency courts will ensure that the administration of the Act is in the hands of judges with special experience of its working, and with sufficient time to devote proper attention to the cases in insolvency which come before them.

1734. Whole-time Receivers necessary.—The machinery for the realization and distribution of the assets of the insolvent is

admittedly defective. There are no whole-time receivers in the province, corresponding to the receivers in bankruptcy in England. The need for such receivers, if the administration of the insolvent's property is to be satisfactorily conducted is admitted. The reasons for not appointing them was stated by Sir George Lowndes at the time of introducing the Bill, which eventually became the Act of 1920, to be entirely financial.

1735. The Act empowers the Local Government to appoint receivers, and receivers have so far been appointed only for two districts in Berar. The necessity of appointing whole-time official receivers has been stressed by the Nagpur and Amraoti District Judges. We think that if districts are grouped for this purpose and if receivership under other laws was combined, there would be ample work for whole-time receivers.

1736. Delays in the realization of the debtor's assets, about which the District Judge, Nimar, complains, will thus be obviated, and a public functionary will be created, whose main business it will be to guard the interest of the creditors, and to take suitable action against fraudulent debtors.

1737. **Conditional discharge preferable to absolute discharge.**—As regards the order of discharge which is the most important proceeding under the Act of 1920, we have unfortunately not been able to collect statistical information to show the number of cases in which absolute discharges have been granted and the number of cases in which the discharges were conditional.

1738. The District Judges of Amraoti and Bhandara point out that fraudulent transfers and successful concealment of property are more noticeable among the traders than among the agriculturist classes.

1739. It appears to us, after full consideration of the question, that an order of discharge with certain conditions attached is more suited to the local requirements of this province than an absolute discharge.

1740. At present an absolute discharge, which means freedom from liabilty to pay debts provable under the Act, can be obtained when the debtor shows that his secured debts to the extent of 50 per cent can be or have been satisfied by him or from his assets, or when he can satisfy the court that the fact that his assets are less than 50 per cent of the unsecured debts is due to circumstances for which he cannot justly be held to be responsible.

1741. Section 41 of the Act enables courts to attach conditions to discharges, and we feel that it would be desirable for courts in this province at any rate to follow the principles laid down in section 26 of the English Bankruptcy Act, 4 and 5 George V, Chapter 59, and impose conditions for the payment of the balance of liabilities, which would be binding on the insolvent after his discharge.

1742. The District Judge of Nagpur points out that at present there is no provision in the law to enforce conditions on the insolvent. We find that the court is at present empowered to inflict a penalty on the insolvent under section 69-A of the Act but this alone is of little use to the creditor.

1743. Cancellation of the order of adjudication.—It appears, to us, therefore, that the court should be empowered to annul an order of adjudication, and we submit this proposal for consideration.

1744. Special difficulties.—Lastly, we come to the difficulties peculiar to the Central Provinces, arising out of the land tenures prevalent there. The Civil Justice Committee has pointed out the anomalous position which arises from section 12 (2) of the Tenancy Act and that the protection granted by the section can be utilized by tenants to deprive creditors of their just dues.

1745. An occupancy tenant can apply to the insolvency court and obtain an order of adjudication without losing possession of his occupancy holding. A man holding 50 or 60 acres may declare his assets to be a few cooking vessels worth a few rupees only, and, although it may be possible to seize the standing crops at the time of the harvest, the only other remedy left to the creditor in such circumstances is to have the debtor arrested and confined in the civil jail.

1746. Such a state of affairs is at once injurious to the creditor and to the agriculturist debtor.

1747. Provisions should be made empowering courts to appoint Receivers of occupancy holdings.—The District Judges of Nagpur and Wardha suggest that the Tenancy Law and Insolvency Act should be brought into line so as to enable courts to appoint receivers of occupancy land, and to appropriate the income therefrom towards the payment of liabilities after making necessary provision for the maintenance of the insolvent and his family.

1748. We endorse this proposal, and recommend that these changes in the law should be made with the least possible delay.

1749. We have separately recommended in another portion of this report the introduction of a Land Purchase Bill, whereby occupancy tenants would be enabled to obtain rights of transfer in all those areas wherein Government are of the opinion, after enquiry, that the cultivators are fitted to hold them. But this is no reason why the above proposal should not be immediately implemented.

1750. We have already explained that the percentage of dishonest debtors among agriculturists is relatively small; but the malpractices of this small percentage accentuate the risks of money-lending to occupancy tenants, and operate to keep up the high rates of interest charged them. No measure calculated to reduce the risks of lending money to this class and the high rates of interest at present charged should be delayed.

1751. Before closing our discussion of the insolvency law, it appears to us to be necessary to consider in brief certain observations and suggestions made by the Royal Commission on Agriculture in Chapter XII, paragraph 367, of their report.

1752. They allude to the existence of a large volume of inherited debt. They state that the force of tradition is such that the son or heir regards the debt as a debt of honour, and feels himself under an obligation to pay this inherited debt, and that even if the matter is taken to the civil court, he will rather admit receipt of consideration which was never received, than run the risk of being thought to dishonour his father or the relative from whom he inherited.

1753. The Royal Commission on Agriculture then proceeds to recommend that all persons interested in rural uplift should exert themselves to acquaint the poor and ignorant cultivator with the real nature of the obligation under the law, *i.e.*, that debts go with the assets and that the heir is under no obligation to meet debts in excess of the assets which he has inherited.

1754. Throughout our intensive village enquiries in all parts of the province, we have given this matter our most careful consideration.

1755. It is true that we have found in some villages in the north of the province, that old debts have been acknowledged from generation to generation, and that instalment bonds have been executed for repayment over a period of as long as 150 years. We may quote as example, the village of Abhanna in the Damoh district and Surkhi in the Saugor district, to which allusion has already been made earlier in this report.

1756. The results of our enquiries in these villages are set out in detail in Appendix E. But our enquiries go to show that on the whole the force of tradition is rapidly spending itself and that this mistaken idea as regards the religious necessity of honouring ancestral debts is not likely, in future, to be an important factor.

1757. **Rural Insolvency Act not necessary.**—The Royal Commission on Agriculture has very correctly stated that the worst possible policy towards debt is to ignore it, and they proceed to recommend the introduction of a simple Rural Insolvency Act to grant relief to rural debtors.

1758. The Insolvency Act at present does not apply to a debtor unless his debts exceed Rs. 500, and it is suggested that this limit should be reduced in the case of rural debtors.

1759. The Royal Commission on Agriculture was also of the opinion that the courts are disinclined to allow the benefits of the Act to landholders whose rights are protected from sale in execution, on the ground that such persons are not insolvents within the meaning of the Act.

1760. The reports which we have received from the District Judges of the province, however, indicate that this view is not altogether correct, as far as this province is concerned.

1761. It seems to be tolerably clear that a considerable number of occupancy tenants and other landholders whose land is protected from sale in execution do, as a matter of fact, put in petitions in insolvency, and obtain orders of adjudication; and the District Judges have in consequence recommended, that these tenants should be required to state their income from the occupancy land in their petition insolvency, and that the law should now be amended to enable receivers to be appointed to take over the administration of these holdings, as is proposed above.

1762. On the other hand, there does not appear to be sufficient evidence to justify the reduction of the limit of indebtedness below Rs. 500.

1763. It does not appear that cases in which creditors make use of the courts and of the provisions of law to harass petty debtors are common, and such procedure is, in any case, not ordinarily a paying proposition to creditors, as they have to bear the expenses of the detention of the debtor in jail. Experience shows, therefore, that creditors rarely take action of this kind against debtors, unless they have reason to believe that the debtor has concealed his property, and that pressure is required to compel him to meet his liabilities.

1764. We have already explained elsewhere in Chapter IV of this report, that the percentage of hopelessly indebted agriculturists is relatively small, *i.e.*, 4 per cent only.

1765. If as a matter of fact the number of hopelessly indebted debtors in rural areas was large, and if it was also a fact, as is sometimes stated, that innumerable people are born in debt, live in debt and die in debt, and if it was found that creditors were really on the whole so merciless that debtors were compelled to carry on their existence without hope and without help, we should not have hesitated to propose some special remedial measures.

1766. We are, however, convinced, as a result of our enquiries, that statements of this kind are exaggerated.

1767. We are satisfied that under existing conditions no reasons exist which would justify us in facilitating wholesale resort to insolvency by petty agriculturists.

1768. Whatever financial relief may be required by the agricultural community can, as we have already explained, be provided by concerted measures of a different kind. Our first aim, in our opinion, should not be to provide facilities for obtaining an adjudication in insolvency, but to remove the necessity for persons becoming insolvent.

1769. We have endeavoured in the course of our enquiries to obtain statistics with regard to the number of cases with regard to the recovery of loans which come before the courts. Although we have found it impossible to work out the percentage of the total number of loan transactions which actually come before the courts, it is perfectly clear from our enquiries that the number

of cases which actually come into the courts represents only a very small fraction of the total number of loan transactions.

1770. The debtors applying for insolvency include a large proportion of the small percentage of debtors who are dishonest, and there is a real danger that a false impression may be created with regard to the general morality of agricultural borrowers from too close a consideration of those cases which come before the courts.

1771. In conclusion, therefore, we desire to stress once more that our enquiries show that the number of dishonest debtors in rural areas is relatively small.

V

LEGISLATION TO PROMOTE A BETTER RECORD OF RIGHT.

1772. We have already outlined in previous chapters the different systems of land tenure in force in the Central Provinces proper and in Berar.

1773. Record of rights in Berar.—In Berar a record of rights is prepared and kept up to date, and contains the following particulars:—

(*a*) The survey number, and area and assessment of each survey number and, if there has been a sub-division of a survey number, the number of the sub-division and its area and assessment.

(*b*) The name of the occupant of the land.

(*c*) The nature and origin of title.

(*d*) Other rights or encumbrances, with the name of the holder of the right or the name of the encumbrancer.

1774. The procedure followed in keeping the record up to date is as follows.

1775. Changes which take place from time to time are brought to the notice of the patwari through report from persons acquiring rights, by monthly statements furnished by Sub-Registrars of registred transactions affecting any land, by orders passed by civil courts or superior revenue officers or are discovered by the patwari himself in the course of his duties.

1776. When any change comes to the notice of the patwari as aforesaid, he enters it in a register called the "Mutation Register", giving intimation to all persons interested and posts a copy of the new entry in the *chauri*, where it has to remain for a month before the entry can be certified and transferred to the record of rights. This secures the publicity which is necessary for the correct maintenance of the record.

1777. In the event of any dispute arising the details thereof are recorded in the "Disputes Register".

1778. Entries are certified and disputes decided by a revenue officer not below the rank of a Naib-Tahsildar.

1779. In practice certification of mutation is carried out by the Tahsildar and Naib-Tahsildar. Work is arranged in such a way as not to interfere with the other revenue work of the tahsil. Immediately after certification the new entry is transferred to the record of rights.

1780. Sub-divisions formed by sale or partition, etc., are measured and mapped by a special measurer permanently attached to each tahsil.

1781. Constant check is applied to the work of the patwari by the inspection of superior officers, *viz.*, the Superintendent of Land Records and the Tahsildar, etc. The record of rights is re-written every five years. Elaborate rules have been framed for the guidance of certifying officers.

1782. The system is working well and the only complaint that was made to us by witnesses was that the certifying work takes a long time, so that mistakes about title may sometimes occur in the period intervening between change of title and the actual correction of the record of rights. The revenue authorities are alive to this question and everything financially possible is being done to expedite this work.

1783. A suggestion was made to us that mutations should be advertized at sub-registration offices. We fail to see the advantage of the suggestion to persons residing in villages other than those where sub-registration offices are situate. The suggestion would increase expenditure without any additional advantage, and we are not, therefore, prepared to endorse it.

1784. Record of rights in the Central Provinces.—In the Central Provinces an entirely different system prevails. It is true that at every re-settlement of a district, a record of rights of each mahal is prepared under section 45 (2) of the Land Revenue Act, but this record is of a very different nature. It consists of—

(*a*) a khewat or statement of persons possessing proprietary rights in the mahal, including inferior proprietors and lessees of the malguzari right and mortgagees in possession, specifying the nature and extent of the interest of each. This, however, only refers to the malguzari rights and does not include tenants;

(*b*) a khasra or field book in which are entered the names of persons cultivating or occupying land, the right in which it is held, and the rent, if any, payable;

(*c*) a jamabandi or list of persons cultivating or occupying land in the village and their holdings;

(*d*) a field map of the village;

(*e*) a wajib-ul-arz or village administration paper, in which are recorded agreements between the proprietary body as to the village management, etc., customs with regard to the division of profits and village management by the proprietary body, the communal rights of tenants to produce and waste land, rights to grazing, to house sites, irrigation and right of way, etc., and all village cesses leviable according to custom and some other miscellaneous matters, which have been recognized by the Settlement Officer at settlement;

(*f*) the record of rights also includes any other papers that may be prescribed from time to time.

1785. Under section 80 of the Land Revenue Act, entries in the record of rights, unless challenged within one year of their competition, are held to be conclusive with regard to the rights with which they deal.

1786. During the currency of the settlement, the Deputy Commissioner of the district is also empowered, under section 46 of the Land Revenue Act, to correct or change entries in the record of rights, when this is authorized by the consent of all parties concerned or by the decree of a court.

1787. Under section 47 of the Act, the Deputy Commissioner is required to keep up to date the annual papers, *i.e.*, the khasra, jamabandi and the field map, while changes in proprietary rights in the villages are recorded from time to time in the mutation register.

1788. **Desirability of introducing Berar system.**—Practically all the witnesses who have appeared before us, however, have recommended that there should be in the Central Provinces, a regular record of rights, similar to that maintained in Berar, in which changes in title to, and encumbrances on, both malguzari and tenancy land should be recorded.

1789. At present no papers exist in which mortgages and other liens on land are recorded.

1790. The mere fact that it has been found desirable to maintain a record of this kind in Berar would appear to us to be the strongest reason for its introduction in the Central Provinces also.

1791. Doubts with regard to title and encumbrances increase the risks of money-lending and are undoubtedly a contributory cause of high interest charges.

1792. We have explained elsewhere that one of the main financial needs of agriculture in these provinces at present is a reduction in the high rates of interest, and a measure of this kind for this reason would undoubtedly be beneficial.

VI

Delay in disposal of cases and execution of decrees.

1793. For purposes of Judicial administration, the Central Provinces and Berar is divided into 12 districts and 82 sub-districts. An idea of the courts, appellate and original, working in the province can be had from the following table:—

——	1926.	1927.	1928.
1	2	3	4
Appellate.			
Judicial Commissioner and Additional Judicial Commissioners	5	5	5
District Judges and Additional District Judges...	40	39	30
Original.			
Subordinate Judges, first class, and Additional Subordinate Judges, first class.	34	34	42
Judges of Small Cause Courts ...	5	6	5
Subordinate Judges, second class ...	152	143	160
Total ...	236	227	242

1794. Duration of cases.—From Statement No. 29 appended to the Judicial Administration Report for the year 1928, we find that money suits in the courts of small causes take on an average 126 days for disposal when contested, and 111 when uncontested. Suits before Subordinate Judges take 216 and 104 days and those before the Additional District Judges take 293 and 172 days. The average duration of miscellaneous cases is 127 and 58 days according as they are contested or not.

1795. Duration of appeals.—Appeals before District Judges and Additional District Judges take on an average 159 and 124 days according as they are contested or not. First appeals in the Judicial Commissioner's Court take 547 and 244 days according as they are contested or not, and second appeals take 509 and 165 days. Miscellaneous appeals in District Judges' courts take 132 to 73 days, while those before the Judicial Commissioner require 226 and 118 days if they are first appeals, and 88 and 40 days if they are second appeals.

1796. Delay prejudicial to both debtors and creditors.—It is beyond our province to examine the situation further; but it is obvious that when appeals before the Judicial Commissioner take a year or a year and a half for disposal, both creditors and debtors are bound to suffer. We press very strongly for action to secure a more rapid disposal of cases in the civil courts with a suitable augmentation of the staff, if this is found to be unavoidable.

1797. As regards the causes which hamper the disposal of cases and execution of decrees in an expeditious manner, the Civil Justice Committee appointed by the Government of India examined the question in all its bearings not only from the all-India point of view, but also from the point of view of our province.

1798. As regards execution of decrees, we find that in this province as many as 60 per cent of the applications are struck off wholly unfructuous, and that in only 16 per cent of applications is satisfaction obtained in full.

1799. The small percentage of execution proceedings in which satisfaction is obtained is due partly to the willingness of certain money-lenders to advance loans to persons of very low credit in the hope of earning some profit at high rates of interest. Loans of this kind are after all largely a gamble. And it often occurs that, when the time for recovery and execution of a decree comes round, assets are not forthcoming with the debtor.

1800. **Execution of decrees by Collectors.**—A number of witnesses also complained to us of the delay caused by the execution of decrees being transferred to the Collector under Schedule 3 of the Code of Civil Procedure. This question has recently been before the local Legislative Council. The arguments both for and against this procedure have been presented to Government.

1801. In special cases, particularly in economic crises arising from crop calamity, it is perhaps sometimes necessary to transfer decrees for execution to revenue officers. But we feel that it is not necessary for us to stress the obvious point that, as a general rule, artificial measures for bolstering up debtors against their creditors are likely ultimately to do more harm than good.

1802. Anything which increases the difficulty of recovery must lower the credit of the borrower and react to his ultimate disadvantage, and we find nowadays, particularly in Berar, a marked tendency on the part of creditors to insist upon the execution of a mortgage with the condition of foreclosure or a nominal transfer of the property by sale, before they are willing to make advances of substantial sums or to renew existing debts.

1803. This prevents a subsequent decree, when obtained, from going to the Collector for execution. We have little to add to the suggestions for improving execution proceedings made by the Civil Justice Committee in Chapters 29 to 31 of their report.

1804. **Notice under rule 22, Order XXI, unnecessary.**—A point which was brought to our notice in the course of our enquiry was that unnecessary delay in the execution of decrees is often caused through the provision requiring the courts to issue notices to the judgment-debtor to show cause why execution should not be carried out under rule 22 of Order XXI of the Code of Civil Procedure.

1805. At present, courts have the power to dispense with the notice in special instances, for reasons to be recorded. The object of insistence upon this notice appears to be to enable the courts to find out whether any adjustment of the decree has taken place between the date of its passing and the date of the application for execution; but under rule 2 of the same order, the courts are precluded from taking notice of any adjustments not certified, and under the existing law, a decree-holder, who takes out an execution in spite of an adjustment, can be dealt with for taking out unwarranted execution.

1806. It appears to us, therefore, that the issue of notices of this kind should be the exception and not the rule, and we recommend that this question be examined and that, if no reasons to the contrary are forthcoming, the issue of this notice in future be dispensed with by a suitable amendment of the Code of Civil Procedure.

1807. **Duration of rent suits should be reduced—closer supervision necessary.**—A special feature in our province is the trial of rent suits by revenue officers under the Central Provinces Tenancy Act. This work is divided between Tahsildars and Naib-Tahsildars, and this is said to be advantageous to the parties for reasons of convenience and access. The volume of the work was nearly 13,000 cases during the year 1928.

1808. Tahsildars and Naib-Tahsildars are required to pass the departmental examination in civil law and procedure by the lower standard before they are confirmed; but it was brought to our notice that all the District Judges think that the procedure followed by revenue officers in the trial of tenancy suits still leaves much to be desired.

1809. Witnesses examined by us said that the trial of rent suits and execution of decrees obtained therein take longer time than is necessary.

1810. In our own enquiries in villages, we found that it is not uncommon for the malguzar to keep different debt accounts with the tenants, *viz.*, one for old debts, one for grain debts and one for outstanding rent. Payments made towards rent are sometimes appropriated towards the first or the second account and recourse is then had to revenue courts for arrears of rent. The tenants naturally raise in these cases pleas of payment of rent, which require investigation. The landlords may, therefore, themselves be partly responsible for the delays in disposal of rent suits and in the execution of decrees.

1811. We suggest to Government that greater expedition in the disposal of rent suits should be aimed at, and that this branch of work should receive more supervision and attention at inspections by superior revenue officers, than we have reason to believe it receives at present.

1812. **Simple money suits to be transferred to Village Panchayats.**—Before leaving this subject we would like to add that in order to minimize the duration of cases and the expenses

of litigation, Government should adopt a more forward policy in regard to the disposal of simple money suits by village courts established under the Village Panchayat Act. The total number of village courts in existence at the end of 1928 was 218 only 137 in the Central Provinces and 81 in Berar, of which 38 were established in one district, *i.e.*, in Seoni. The Judicial Administration Report for 1928 shows that the total number of suits for money and moveable property was 102,277 and of this the number of suits for Rs. 100 or less was 61,908. In other words, 61 per cent of the money suits are for the sum of Rs. 100 or less and there is no reason why the work of establishing judicial panchayats should not be expedited to relieve the civil courts of these petty cases. We invite attention to the following extracts from the Civil Justice Committee's report with regard to village panchayats :—

1813. Civil Justice Committee's report.—"The recommendation we make is that in all the provinces endeavour should be made to develop this system so as to withdraw all simple money suits of smaller value from the Munsiffs and small cause courts, thereby relieving these courts of a large amount of petty work and making it possible for them to cope with the larger duties we think may be given them. In the course of our investigations, we were told in the various provinces by some witnesses that communal difference and factions are in the way of any further extension of the jurisdiction of these tribunals. There is some force in this objection; but it is in our opinion overstated."

1814. "In villages where there are common interests to be protected, common services to be rendered and common funds to be administered, it is idle to ignore the common life of the village in which the necessities of neighbourhood have held their own or have prevailed against the division of caste. In some cases, as time goes on, it may become possible to provide by way of safeguard that in the election of panchayats the principle of proportionate representation may be employed."

1815. "When it comes to the trial of a civil dispute, the interest in the subject-matter is confined to the parties themselves and, although parties would as a rule like the dispute to be decided by co-villagers, they appear to have no objection to lay their dispute before respectable gentlemen in the neighbouring village whom they know as well as their own fellow-villagers. The inclusion of panchayatdars from another village would frequently simplify the trial of suits in a village in which there is faction, if there be difficulty in finding there a panchayatdar who is not a member of one faction or another. To this end in the Punjab Act provision is made for the revision of decisions which are not unanimous by joint panchayats of neighbouring villages. Moreover, it lies within the powers of the authority constituting a panchayat to group villages in such a manner as to ensure the return of representatives of different castes from different neighbouring villages and by the exercise of this power factious spirit can be so reduced as not to be a determining factor in the discharge of the judicial duties of village panchayats.

1816. "Among the other advantages of village courts is the fact that they are close to the residence of parties. The expense of litigation in them is negligible, as pleaders are not allowed and witnesses have not to be brought from a long distance. There is not the same difficulty in seeing that the processes are duly executed and the fact that parties are speaking before their fellow-villagers in their own village makes for a more easy determination of the truth."

1817. "In those provinces in which exclusive jurisdiction is not given, we recommend that opportunity should be taken to introduce it, as and when experience shows that it will be safe. Unless exclusive jurisdiction is given to these courts, they are not likely to be resorted to as largely as they ought to be or to be of the same use to the public, or to afford relief to stipendiary courts.

1818. "The simple procedure of the village tribunal may not have the same attractions as the Munsiff's court to those who prefer the devious methods possible in a protracted trial. It may seem a harsh measure to compel a person to resort to judges who have no legal training. But the hardship thereby inflicted is more imaginary than real."

VII

Legal obstacles to the realization of just claims of money-lenders.

1819. The chief legal obstacles with which money-lenders are confronted arise from the personal law of parties, *viz.*, the Hindu and Muhammadan Laws. An obstacle common to all classes of the population arises where a creditor is called upon to realize his money from a minor.

1820. Under Hindu Law, the liability of a coparcener governed by the Mithakshara School, the limited powers of widows to transfer, and the law of reversion under which a reversioner can claim the estate in spite of alienations effected by the widow, are fruitful sources of litigation; and creditors are sometimes defrauded by pleas of this kind (*vide* evidence of Rai Bahadur Seth Puransao, Seoni, No. 108).

1821. Attempts have been made from time to time to have the law clarified by codification, and a private Bill was introduced in the Legislative Assembly in 1925 to settle the law relating to the liability of a coparcener under the Mithakshara Law.

1822. The law relating to reversioner's rights to re-open transactions was also examined by the Government of India in connection with the proposal of Diwan Bahadur M. Ramchandra Rao to introduce a Bill relating to the powers of Hindu limited owners to deal with the estates in their possession.

1823. **Clarification of the rights and liabilities of coparceners and reversioners desirable.**—The Civil Justice Committee has examined this subject thoroughly, and all that we need say is that it would be a great gain to both the creditors and debtors if the

law could be cleared by codification in respect of the liability of coparceners, and of the power of reversioners to challenge transactions entered into by limited owners like widows.

1824. As regards the procedural law relating to suits on behalf of or against minors, the law is clear; and we think that if the creditors resort to the safeguards required by law in a *bona fide* manner, they are amply protected against the danger of litigation by minors after attaining majority.

1825. We have already discussed above certain other obstacles to the recovery of debt arising from the Insolvency Act, etc.

1826. **Equitable mortgages.**—Equitable mortgages or mortgages by deposit of title-deeds are not permissible under the provision of the Transfer of Property Act outside the towns of Calcutta, Madras, Bombay, Karachi and certain towns in Burma. We have received no evidence in the province to justify, nor does there appear to be any demand for, the extension of this facility to any town in this province.

VIII

Titles in land.

1827. Titles in land arise in our province from the enactment which have already been discussed in detail in the first sub-heading of this chapter. They are protected by the laws of registration and of transfer which have been recently amended to remove certain defects.

1828. We have also shown how the situation can be improved by a more systematic record of rights in the Central Provinces.

1829. A suggestion was, however, made to us that the Hindu Law of Inheritance and Partition should be amended so as to avoid the evil of fragmentation of estates and substitute the rule of primogeniture. We have already discusssed the question of consolidation of holdings.

1830. We do not feel that any such radical change in the law of succession is required, either in the interests of finance or of the general well being of the residents of the province under existing conditions.

Note of dissent by Rao Bahadur M. G. Deshpande.

The question of bestowing transferable rights on the occupancy tenants has formed a subject of a keen controversy for the last ten years or more. It has been agitating the minds of the members of the Council. No Conference in connection with the co-operative movement is without a discussion on it and in fact every public body that has the interest of the agriculturists at heart has tried to tackle this difficult problem without arriving at any definite solution of it. The reason is that

they forget one fundamental fact that the question of rights of occupancy tenants is so indissolubly connected with the malguzari system as a whole that you cannot solve the problem piece-meal. Occupancy tenants form the very foundation of the malguzari system. Do away with the occupancy tenants by bestowing transferable rights upon them you undermine the system root and branch. What is left in the malguzari system if all the tenants are granted transferable rights? They cease to be tenants of the malguzari more or less; and there will be no difference between the system that obtains in Berar and the system that will obtain in the Central Provinces if transferable rights are conceded to the occupancy tenants, so before thinking of granting transferable rights let it be first decided whether the malguzari system, as now in vogue, is to be retained or abolished. It is no small matter to abolish the malguzari system. Political, administrative and, lastly, financial considerations make it impossible even to conceive the idea of its abolition. Assuming for the sake of argument though not admitting that the conferral of transferable rights is absolutely necessary let us analyse the grounds on which it is urged. Those that argue in favour of the grant of the transferable rights say that the heavy indebtedness of the tenants is largely due to the fact that the tenants having no transferable rights are required to borrow at a prohibitive rate of interest. Do away with the impediment in the way of transfer and the indebtedness disappears that is what they think. But happy will be the day when they will be disillusioned of this notion. They say that the agriculturists are required to borrow at an exhorbitant rate of interest, because they have no credit in the market owing to their lands not being transferable. But they cannot foresee they have not learnt any lesson from Berar or Bombay where the farmers enjoy transferable rights. The lesson is that they borrow recklessly if they have credit. So those who think of bestowing transferable rights upon the occupancy tenants of the Central Provinces must first make out a case that the farmers in Berar and Bombay are far better off, enjoy cerain decided advantages over those of the Central Provinces and this is entirely due to the fact that the Bombay farmers enjoy transferable rights whereas the Central Provinces tenants do not. The occupancy tenants and those dependant upon agriculture form no doubt the bulk of our village people, but it is a question whether grant of transferable rights to occupancy tenants, will reduce their indebtedness or improve their economic condition, this may widen their credit, but whether it will be for their advantage or disadvantage is a question. And I am emphatically of opinion that this will ruin them in the long run. Tenantry as a whole is backward, and as such do not realize their position, agriculture as a trade, in our country is dependent upon monsoon and consequently the yield thereof is most insecure and can hardly be estimated, so as to give the cultivator any basis for his entering into contractual arrangement with regard to the financing of this trade. Thus from the nature of his trade he has to be at the mercy of his financier be he, his landlord or a local sowkar. The idea of budget is foreign

to him, not only in the matter of his trade, but in his personal and social expenditure also, it is, therefore, no wonder if he falls, but an easy prey to the said persons. This being the general condition, it is obvious that cheap credit would not result in reduction of the rate of interest. It is too much to suppose that malguzars and sowkars who have advanced them loans will at once reduce the rate of interest on the strength of transferable rights; demand for loans in that case would increase sufficiently to keep up the rate of interest and the tenant would be all the more indebted and would be easily driven out from the soil, retained by himself and his ancestors so long; the tenantry would be reduced to more sub-leases or agricultural labourers as in the parts of Berar and Bombay where full fledged transferable rights are obtained. True intelligent cultivators would be profited thereby, but such people are few and scattered all over the province, and it would thus be doubtful how far such a general measure would be helpful. It may be noted also that malguzars who as a class are comparatively more intelligent are still considered incapable of transfering, without reference to revenue authorities their *sir* land, yet how an illiterate showed to be deemed capable of disposing of his ancestral holding without any thought for the members of his family passes one's comprehension. However meagre outturn the tenant may be deriving from his holding, it is a source of livelihood to him and his family and it is desirable in his own interest that the temptation to part with it for the sake of money should be checked. Besides, it would mean disruption of the malguzari system and harmonious village life. Malguzars may be faced with new and undesirable tenants. However sound and well meaning these considerations against the grant of transferable rights may be, it is a fact that complete immunity of occupancy holding from the clutches of the money-lenders has led to disastrous result. The tenants have become all the more improvident and irresponsible and do not utilize their resources, to productive ends. This has also to a great extent checked the progress of co-operative movement. In the spread of this movement alone, it is my firm conviction lies the solution of the problems we are investigating. To counteract these, I would suggest relaxation of the restrictions against transfer of occupancy holdings in favour of co-operative societies. These may be empowered to attach the holdings and act as receivers to realize their dues for not more than three or five years at one time. For capital improvements in agriculture or purchase of land, land mortgage banks on co-operative lines may be formed with rights of attachment and sale of occupancy holdings. This in my opinion would maintain the tenantry on the land and give sufficient impetus to cultivators to improve their lot. Last but not the least objection against transferable rights to occupancy tenants is from the point of view of the malguzars. Enlargement of rights of transfer of occupancy tenants would be a serious in-road on the rights of malguzars against occupancy tenants and would not be acceptable to them except with adequate compensation, say, by purchasing outright the malguzari rights as against the occupancy tenants or by providing for nazrana and grant of rights of pre-emption, etc., the details

whereof may be worked out easily. To sum up, therefore, I am against transferable rights being granted to occupancy tenants, except (i) that the period of sub-lease by occupancy tenants be raised to three or five years, (ii) co-operative societies be empowered to attach and act as receiver for a period of not more than three or five years at one time, and (iii) land mortgage banks be empowered to attach and sell occupancy holdings. Provided that the malguzars will be entitled to a nazrana in case of sub-lease exceeding one year or in the case of an appointment of a co-operative society as a receiver in respect of the holding for a period exceeding one year and provided that the malguzars will have the right of pre-emption in case of sales of holdings by a land mortgage bank.

PART V

CHAPTER XIII.—INDIGENOUS FINANCE.

I

DEFINITION.

1831. No distinction exists between an indigenous bank and other credit agencies.—We deal with the subjects of indigenous banks and bankers in this Chapter XIII and with other indigenous credit agencies in Chapter XIV; but although it has been decided to distinguish indigenous banks and bankers from other indigenous credit agencies, these persons among themselves make no such distinction, but regard all as belonging more or less to one class, some being bigger than others, whether a man does only hundi business, or takes deposits, or does only money-lending business on a large scale.

1832. Moreover they make no distinction between a deposit as such and a loan on a 61 days' hundi, which is often resorted to by bankers and money-lenders, when they want to put themselves in funds.

1833. Functions of a banker.—The proper functions of an ordinary banker may be said to be—

(i) the accepting of deposits;
(ii) the granting of credit or the lending of money on liquid security;
(iii) helping in transfer of funds—
(*a*) from one person to another,
(*b*) from one place to another;
(iv) the financing of trade.

1834. It is difficult to say which of these functions is the most important.

1835. Difference between a modern bank and indigenous banker.—The most important difference between a modern bank and an indigenous banker is that while the modern bank confines itself purely to banking business, the indigenous money-lender or so-called banker regards banking more or less as a side line. In almost all cases he carries on many other kinds of business in addition. Although he may do some banking business, he is usually either a big malguzar or the owner of valuable landed or house property in urban areas, or a commission agent, a factory owner or a dealer in all kinds of commodities, and very often his other business is more important than his banking.

1836. In the resources of a modern bank, deposits represent a very much larger sum than the capital of the bank, but the indigenous financier depends mainly on his own capital for his banking business, and deposits form only a small part of his working capital, and at the best the accepting of deposits form only a small part of his business.

1837. While the lending of money is an important function of both the modern bank and of the indigenous banker or financier, the modern bank does not lend out cash direct, but by the granting of cash credits gives a borrower the right to draw cheques on it, which may ultimately mean only an adjustment

in the accounts of various clients of the bank or in the accounts which the various banks maintain with the central or reserve bank. The indigenous banker, on the other hand, lends out, cash.

1838. It is also essential to the business of modern commercial banking that the security for the advance given should be fluid, *i.e.*, such as can be readily converted into cash. But the security accepted by the indigenous financier or banker may often consist of house property or landed property.

1839. The transferance of funds from one person to another by means of cheques, which forms so important a function in the modern bank, is a branch of business which is hardly ever done by the indigenous banker except inasmuch as is done through darshani hundis.

1840. The transference of funds from place to place, which is ordinarily known as remittance, is one of the principal branches of business of a modern bank. But among those who style themselves as indigenous bankers there are many who do not do this branch of business at all. Many of the latter have no branches or agents or correspondents outside the province, although a few of them do have arrangements for remittance to other parts of the country.

1841. The financing of trade is an important function, both of the modern commercial bank and of the indigenous financiers. The indigenous bankers do this as dealers in hundis, while the modern commercial bank deals in bills of exchange or re-discounts.

1842. Under these circumstances, therefore, it would follow that an indigenous banker was one who does one or more of the other functions of a banker in addition to simple money-lending.

1843. Definition of a banker for purposes of this enquiry; and its inadequacy.—At the Calcutta Conference, it was decided to include all those in the category of indigenous bankers who lend borrowed money in addition to their own. According to this definition, money-lenders, who borrow money for their money-lending business, are bankers. On the one hand, this definition seems to be too wide as it includes persons, who are not ordinarily regarded as bankers among their own people; while, on the other hand, it excludes certain persons who are popularly regarded as such, *e.g.*, the firm of Ghatate of Nagpur alluded to hereafter. Among those persons who are in fact nothing more than ordinary money-lenders, the urban money-lenders often borrow money on hundis drawn on themselves for 61 days. According to the definition accepted at the Calcutta Conference, these persons would be bankers. In the same way many of the village money-lenders, some of whom are quite petty men, are in their turn financed by the big shroffs of the nearest town. On page 30 of the final report of the resettlement of the Nagpur district Mr. Dyer very correctly writes:—

> "It is surprising also to find how many men are at one and the same time both debtors and creditors. * * * Some men, too, deliberately borrow at a lower rate of interest to lend at a higher."

1844. We may quote one instance of the many which have come to our notice in the course of our intensive village surveys, *i.e.*, the case of one Hassu Miyan of Barghat in the Seoni district. He is a typical money-lender. He has a small amount of capital of his own and also borrows money to lend. We found that he had borrowed Rs. 300 from one Bachu, a big businessman, at 12 per cent interest, which he lent out at a higher rate of interest, *e.g.*, he had lent out Rs. 100 to one Bhangi, Teli, at 25 per cent interest. According to the definition adopted at the Calcutta Conference, Hassu Miyan would be a banker, but Bachu, his financier, a far richer man, would not.

We have ventured on this digression to show the inadequacy of the definition of an indigenous banker.

1845. A better definition.—A better definition would seem to be one who lends money, accepts deposits, and finances trade as a dealer in hundis.

1846. We now proceed to consider the indigenous banks and bankers.

II

History of Indigenous Finance.

1847. The history of indigenous banking.—We have already stressed the point that nearly all those persons who are popularly known as indigenous bankers carry on some other business or trade in addition to banking, and it may be stated at once that the history of the indigenuos bankers and other indigenous credit agencies is the same.

1848. We have explained in Chapter II how the existence of a credit agency has always been necessary in the rural life of India. The mahajan, which we have explained above means literally the great man, was the individual who was able to put by a greater reserve of grain or cash, which he lent out to his poorer brethern when the necessity for taking advances arose, as the bad years came.

1849. It is hardly necessary to point out that as society becomes more and more complex, and as a self-sufficing economy generally gives way to an exchange economy, and as trade between members of a group and between different groups develops, some form of banking must make its appearance to facilitate this development.

1850. Although in rural areas until relatively recently grain formed the principal medium of exchange, there always existed the need for facilities for money changing, and for remittance, and later on for the financing of trade itself.

1851. In different parts of India before the advent of the British there were many different currencies, and the early history of the Indian money changer is shrouded in antiquity.

1852. There is no doubt that some form of banking, particularly in urban areas, has existed in India from very early times, although what little description of the system is now forthcoming refers to recent times.

1853. Mr. Simcox.—Mr. A. H. A. Simcox, I.C.S., has correctly pointed out in a paper on Indian rural finance :—

> "The very fact that in the earliest books one finds no description of the organization in detail, but only casual allusions, goes far to prove that the system was accepted as well established, as a part of daily life, and a thing that called for no explanation."

1854. Mr. Jenkins.—Mr. Jenkins in his description of the territories of Nagpur in 1827 provides some valuable information with regard to the methods of the so-called indigenous bankers of those days. He states that even in those days, pilgrims were financed by the issue of hundis by indigenous bankers. Again in page 92 of his report he states that all payments of land revenue and the extra imposts were made at the kasba or chief town of the pargana by the patels either in person or through confidential agents, sometimes in cash and sometimes in drafts on sowkars.

1855. Hindu Dharma Shastras.—The business of money-lending has, however, attracted notice from the very earliest times, and we find the Hindu Dharma Shastras laying down maximum rates of interest.

1856. One of the principal functions of a banker or financier at all times is the lending of money or granting of credit at interest.

1857. Attitude of Christian and Musalman divines.—The attitude of the early Christians and Musalmans towards the taking of interest is too well known to require description here. Even as late as the time of Queen Anne, we have the instance of a Christian divine fulminating from the pulpit against the charging of discount, which is after all another form of interest, on bills of exchange drawn in England against Amsterdam. We do not propose here to trace in detail how interest in Christian countries gradually became recognized as a legitimate charge for the use of other peoples' money.

1858. The patriarchal state of society.—The attitude of the Hindu law-givers was, however, in one sense directly modern. Interest is allowed, but there is a constant attempt to regulate money-lending and to fix the maximum rate of interest. In the patriarchal stage of society, there could be no lending or borrowing among the individuals constituting the patriarchal group, for the simple reason that individuals were not considered to have any separate existence. Everything belonged to the family, and the headman or the manager was the man having absolute power of disposal of the property belonging to the family.

1859. The joint Hindu family is the sole surviving relic of the patriarchal state of Indian society, and that too is fast breaking up under the influence of more modern laws and customs.

1860. We find in Yajnavalkya that it was ordained that among brethren, between husband and wife, and between father and son, there can be no relationship of debtor and creditor.

1861. As regards lending to outsiders, even this was impossible among the community in the patriarchal state. Among the ancients, the only basis of society was kinship and no legal relationship independent of kinship existed. As Maine states on pages 65 and 66 of the "Early History of Institutions": "The tribes themselves and all sub-divisions of them were conceived by men who composed them as descended from a single ancestor."

1862. If a man was not kin to another, there could be no contractual relationship between them. He was an enemy to be slain, spoiled or hated like the wild beasts upon which the tribes made war, and as belonging indeed to the most crafty and the most cruel species of their enemies, the wild animals. As Maine states: "It will scarcely be too strong an assertion to say that the dogs which followed the camp of a tribe had more in common with it than the tribesman of an alien and unrelated tribe." It is clear, therefore, that among members of two different communities, so bitterly hostile to each other, there could be no contractual relations, and no possibility of lending or borrowing for interest.

1863. It was only when the idea of contract first came into existence that lending and borrowing first originated.[1] There is no clear evidence to show when the contractual obligation was first recognized in India; but it is clear from the Code of Manu, which, according to Sir William Jones, dates from 1288 B.C., and according to Sir Monier Williams dates from 500 B.C., that the practice of charging interest on loans was established long before the Code was written.

1864. Distinction between interest and usury as drawn by Manu.—In the Code of Manu, the rates of interest are regulated, and a distinction is drawn between usury and interest. Interest in excess of the rate prescribed by the law-giver, was called usury (Book VIII, page 152) and was declared an offence, for which a penalty was prescribed.

1865. Thus according to Manu, a Vaishya was to get his living by tending cattle, lending money, cultivating land and by trade (I, 90). Lending money at interest is considered one of the lawful methods of acquiring property and of subsistence (X, 115, 116).

1866. But although lending at interest is recognized as lawful, it is not considered sufficiently honourable for Brahmans and Kshatriyas. A Brahman of Kshatriya in distress could of course adopt the mode of life of a Vaishya, but neither of them could lend money at interest, except in times of distress when he required money for sacred purposes and then only to a very sinful man at a small rate of interest (X, 117).

1867. The law also fixed maximum rates of interest. A money-lender might demand 1¼ per cent per month as interest on his capital, the rate having been fixed by Vasistha (Manu, VIII,

140). But even 2 per cent per month was not considered too high. One who demanded such a rate did not become a sinner for gain.

1868. Rate of interest depended on (*a*) Caste of the borrower.—The rate of interest varied according to the caste of the borrower. Not more than 2 per cent could be taken from a Brahman, 3 per cent from a Kshatriya, 4 per cent from a Vaishya and 5 per cent from a Shudra (VIII, 140—142). This variation may be explained by the difference in the privileges enjoyed by different castes; it may to some extent also be due to the differences in risk and the uses likely to be made by men of different castes.

(*b*) Security of debt.—Vasistha laid down as follows:—"Monthly interest is declared to be an eighth part of the principal, if a pledge is given: an eighth part is added if there be only a surety, and if there be neither pledge nor surety, two in the hundred may be taken from a debtor of the sacerdotal class."

(*c*) Risk involved.—Yajnavalkya ordained: "All borrowers, who travel through vast forests, may pay ten, and such as travel on seas, twenty, in the hundred to all classes, etc."

1869. It appears that this refers to the maximum rate of interest recognized by custom and prescribed in these Codes of Law, which could be recovered for the use of money in cases in which no particular rate of interest had been agreed on between the parties.

Manu said: "Whatever interest or price of the risk shall be settled between the parties by men well acquainted with sea voyage or journey by land, with reference to time and place, such interest shall have legal force."

1870. Corporal interest.—Corporal interest, which means the interest to be paid by the bodily labour of the borrower, or that of a slave, was not allowed by law. But when the debtor was of the same caste as the creditor, or of a lower caste, he must pay off his creditor even by personal labour (VIII, 177).

1871. Compound interest not allowed.—Mention is also made of compound interest, which is not allowed by law.

1872. From VIII. 151, it is evident that not only money but other forms of wealth were lent at interest. The lending of grain, fruits, wood and beasts of burden is mentioned in connection with the fixation of the maximum total interest paid at one time.

1873. Rule of Damdupat.—Gautama ordained that:—"The principal can only be doubled by length of time, after which interest ceases. Manu laid down "interest on money received at once, not month by month, or day by day, as it aught, must never be more than enough to double the debt, *i.e.*, more than the amount of the principal paid at the time. But on grain, on fruit, on wool, on hair, on beasts of burden, lent to be paid in the same kind of equal value, it must not be more than enough to make the debt quadruple."

1874. In Kautilya's Arthashastra, the proper rate of interest is stated to be 15 per cent a year. But in practice it varied a great deal according to circumstances. The commercial rate was 5 per cent per month and 10 per cent were allowed in forests where perhaps capital was scarce and risk great. 20 per cent was allowed from sea traders in whose case perhaps the risk was the greatest. These rates must not be exceeded.

1875. Interest on grain loans was not to exceed 50 per cent, when valued in terms of money. The time involved is perhaps till the next harvest (Kautilya, Shama Sastri's translation, page 282).

1876. Advent of the British.—These laws were in force long before the British came into India. But with the establishment of British Law Courts, and the enactment of the Indian Contract Act in 1872, the third stage in the history of interest was entered upon.

1877. Freedom of contract.—Absolute freedom of contract was given to individuals to fix any rate of interest, the legislature confining itself to providing means for the enforcement of contracts. Excepting the rule of Damdupat which is still in force, though in a modified form, in Berar, all other such rules have been superseded by the Indian Contract Act.

1878. Bentham's doctrines of *laissez faire* which assailed all restrictions upon the freedom of individual action was responsible for the Usury Laws Repeal Act of 1854, which gave absolute freedom of contract to individuals.

1879. But in course of time, legislators found that this freedom of contract was not productive of any social benefit.

1880. Legislation to control evils resulting from freedom of contract.—Thus the English Money-Lenders Act of 1900 was enacted. Eighteen years after this the Usurious Loans Act was passed in India. With these enactments, the fourth and the present stage in the history of interest has been reached. This is the period of control by judicial discretion.

1881. Tavernier.—Tavernier, who came to India in the forties of the 17th century in his "Travels in India", makes a reference to indigenous bankers. Says he, "In the Indies, the village must be very small, where there does not reside a banker, whom they call cheraff, whose business it is to remit money and bills of exchange". Again "But in the Indies they (the Jewish bankers of Europe) would be scarce thought fit to be apprentices to those bankers". (Book I, Chapter II.)

1882. Jenkins.—Jenkins in his report on the territories of the Raja of Nagpur submitted to the Supreme Government of India in 1827, gives a detailed description of these so-called bankers. In many respects, the description is as true today as it was over a century ago. This report was reprinted at the Government Press, Nagpur, in 1923. The following quotations

will give an idea of the practice in the early part of the 19th century :—

"Most of the sowkars in this part of the country are Marwaris. There are only two banking houses in the city conducted by Brahmans. It is difficult to enumerate and describe their various speculations. As bankers and shroffs, generally, their profits arise—

first from the purchase, or receipt upon the spot in the course of their trade, of gold and silver coins, which they sell or pass at a dearer rate than that at which they receive them;

secondly, from the importation from other quarters of gold, silver and copper coins, bullion and ornaments, which they dispose of at a profit." (Page 51.)

BULLION TRADE.

1883. In pages 49 and 50 he give a description of the bullion trade: "The bullion traffic with Aurangabad and Amraoti is carried on by the bankers. It has increased considerably during the last and current year, and is one of their principal speculations."

1884. "The Nagpur rupee of the new coinage is exported, and the Shamsheri and Hyderabad rupee imported, refined into bars, from which Nagpur rupees are coined. The Nagpur rupee is required by the Amraoti merchants for the purchase of cotton from this country and the districts ceded in 1818 to the Company. The profit in each transaction seldom exceeds 8 annas per cent; but when it is considered that the returns are made repeatedly during the 12 months, it is rather a lucrative speculation."

1885. "The bullion trade with Poona depends on the rate of exchange between the two cities. The specific value of the Poona rupee is from 13½ to 13⅝ per cent better than the Nagpur rupee: the charges for insurance and carriage from Poona to Nagpur are 2½ per cent, and a further expenditure of about 6 annas per cent is incurred in agency and brokerage of bills. Whenever, therefore, the exchange from Poona, which generally fluctuated from 12 to 14 per cent premium, falls below 10 per cent premium, they are bought up and their amounts brought to Nagpur as specie. Bullion to the amount of 3 lakhs of rupees was brought from Poona last year."

"Thirdly, from granting bills on other quarters."

1886. Hundi business.—"The traffic in hundis was formerly restricted to two or at most, three houses, the individuals of which possessed great influence with the Raja and were exempt from his depredations. The sowkars in general were barred from keeping in their homes the large sums of ready money required to carry on this specie trade with advantage. Now all the respectable bankers and other individuals speculate deeply in these transactions, notwithstanding the profit arising therefrom having been considerably reduced owing to competition, and the extreme facility provided by our regular daks of obtaining knowledge daily of the state of the money market in all the principal commercial cities connected with Nagpur."

1887. "Nearly the whole of this business is in the hands of the Marwaris, and two or three of the most intelligent individuals of that body have stated that 50 lakhs may be assumed as the average amount, one-half of which is drawn on Benares, a quarter on Poona and the remaining fourth on Calcutta, Bombay, Jaipur, Hyderabad and other places."

1888. "Of the 25 lakhs drawn on Benares, from 12 to 15 may be considered as drawn for mercantile purposes: one lakh in favour of pilgrims from the Deccan to the holy places on the Ganges and the remainder as speculation in exchange." (Page 52.)

"Fourthly, from interest on loans."

1889. Money and grain lending.—"Their country business is, besides the common affairs of money exchanging, to advance cash or grain to patels and ryots. For the latter purpose, some have large stores of grain, for the loan of which they take 25 per cent for eight months, the time of repayment being usually at the harvest. (Page 51.) They may also lend money to artisans and merchants." (Page 51.)

1890. "Fifthly, from taking objectionable rupees at a discount and reselling them on more favourable terms."

1891. "Sixthly, from the fluctuation in the current value of copper coins and cowries, for which purpose they have dukans, kept by people who are employed by them as Khurdias or dealers in small change."

1892. "Khurdias or small money changers either trade for themselves or are employed by shroffs and get a percentage on their transactions. These people exchange copper and cowries for rupees, and take every advantage of the inexperienced and the unwary."

1893. "They purchase the copper coin and cowries, accumulated in their day's traffic by persons who sell vegetables, firewood and other trifling articles, at a low rate, and retail them again at an advanced price. If a poor weaver has been disappointed in the sale of his cloth, a khurdia will perhaps receive it from him in pawn, and if the cloth be worth 15 rupees, will advance him 10, and on each rupee will demand from half a pice to one pice of cowries interest every eight days or from 1½ to 3 per cent. He will also lend cash in a small way to the poorer classes at similar rates of interest."

1894. Modes of borrowing and repayments.—The following were the modes of borrowing and repayment in general use:

1895 "First, the Laoni which consists in making over to the creditor the grain of the crop on the ground at a rate considerably under the bazar price. Secondly, a simple loan, which the borrower agrees to repay when he has sold his produce, with 2 per cent interest per month: this mode was common in transactions with sowkars only."

1896. "When a patel advanced money or grain, he invariably received sawai, or 25 per cent interest, for whatsoever period the loan might have to run, which was usually only to the reaping of a particular crop."

1897. "When a ryot failed in his agreements, he was frequently obliged on obtaining another advance to pledge his cattle and implements of agriculture, as well as the produce of his fields."

1898. "Should he still continue insolvent, the patel seized everything he had, and took a deed of sale from him, specifying the particulars of his property and declaring the transfer had been voluntary and that he would never reclaim it." (Page 93.)

1899. Banker also a trader.—We have already stressed the point that the indigenous banker was not merely a banker, but also a trader. Mr. Jenkins writes: "As traders, the sowkar sell merchandise of various kinds both in the country and at a distance." "They deal principally in Mirzapur goods. They purchase the produce of the counrty and export."

1900. "They also buy up grain when it is cheap, and sell it at an advanced price generally in the rains. They have also numerous dukans for the sale of all sorts of articles."

1901. "This is practised by even the most wealthy. Property is often given to them, either on pawn or in payment of debts, which they are obliged to dispose of in the bazar, for which purpose their dukans are almost necessary." (Page 51.)

1902. Mr. B. J. Thakur in page 5 of his "Organization of Indian Banking" says in this connection, "Indian Bankers in the past have generally carried on ordinary trade with their banking business, with result that this dual activity has greatly reacted upon the banking development of this country".

1903. The fact is that nearly all the so-called bankers and indigenous money-lenders started business as petty shop-keepers, traders, etc., and only began to do money-lending or some other banking functions as a means of employing the surplus capital which they accumulated.

1904. Thus banking business has in origin almost invariably been subsequent, and subsidiary, to their original business.

1905. Rate of interest.—Jenkins in his report writes that, with the establishment of British supremacy, there was a tendency for the rate of interest to fall.

1906. He says: "Formerly, the rate of interest was higher than it is now. Under Raghoji and Appa Saheb, the general rate on money lent on common security was 3 and 4 per cent per mensem, and never less than two on the best security, or pledges given to the full amount of the sum advanced, besides a deduction of 2,3 and sometimes 4 per cent from the amount of the loan". (Page 51.)

1907. "Usually the highest interest in the present day is 2 per cent on good security or pledges given. To patels and ryots the terms are commonly 2 per cent a month, and 2 per cent deducted from the original sum: but to artizans and mechanics of the lower class they are more favourable, being 3 or 4 per cent a month or even more." (Page 52.)

1908. Terms of taccavi advances and grain loans by the patel.—"The patel was sometimes obliged to give taccavi advances to those of his ryots who were in bad circumstances, or who had been particularly unfortunate during the former year. The taccavi consisted of cash for the purchase of cattle or agricultural implements, or these were supplied at a stated value, for which 2 per cent per mensem interest was taken.

1909. "'Bij' 'potga' or seed grain and grain for the subsistence of the *kirsans* and their families required by the poorer classes, were also advanced by the patel or his banker, and 25 per cent was charged, without reference to the time of repayment." (Page 93.)

1910. Jenkins, however, is distinctly critical and sarcastic when he refers to the money-lending activities of Raghoji Bhonsla in page 83. Raghoji Bhonsla, he says, "was frequently himself the lender of money to the ryots, like other sowkars, at high rates of interest. . . . . Raghoji was not unfrequently called, in derision, the great Bania".

III

Methods of business of indigenous bankers.

1911. So much for the early history of the indigenous bankers and other indigenous credit agencies. In Chapter III, we have explained that the firm of Rai Bahadur Bansilal Abirchand is the only indigenous firm in the province which habitually receives deposits as a matter of ordinary business.

1912. There are a number of other big firms which are popularly known as banking houses, *e.g.*, the firms of Raja Gokuldas, Chitnavis, Ghatate, Botany, Booty, Ganpat Rao Pande, Mohota of Hinganghat, etc., to quote some of those whose methods of business we have studied in detail in separate interviews, reports of which will be found in Appendix F.

1913. Chitnavis family.—The family of Chitnavis is of some peculiar interest for historical reasons.

1914. Rukmaji Randeve first came to Nagpur as the Chitnavis or Secretary of Raghoji Rao I. He was succeeded by his son who died childless; the latter nominated his sister's son, Krishna Rao Vaidya, to be the head of the Chitnavis' family. During the reign of Raghoji Rao II, Krishna Rao was succeeded as Chitnavis by his brother Gangadharrao, who died childless, but nominated his cousin's son, Madhorao Chitnavis to the hereditary office. This gentleman was the father of Sir Gangadharrao Chitnavis, recently deceased and Sir Shankarrao Chitnavis, the President of the Provincial Legislative Council and late Minister to the Central Provinces Government.

1915. The office of Chitnavis lapsed in 1844 on the death of Raghoji Rao II. Madhorao Chitnavis had at that time some 15 villages. After the Raja's death, he started a grain and money-lending business and considerably increased his property. He also purchased, for the further extention of grain-lending business a large portion of the grain from the granaries of Raja Raghoji Rao II, which was sold by the British after the Raja's death at Re. 1 per khandi.

1916. Sir Shankarrao Chitnavis has now a large number of villages and a number of money-lending shops, while there are a similar number of villages and money-lending shops belonging to the estate of his recently deceased brother, Sir Gangadharrao Chitnavis.

1917. Ghatate family.—The history of the Ghatate family is also interesting as an example of the development of the business and estate of an indigenous agency. Gopalrao Ghatate started life as an employee of a Marwari businessman at Pardi, just outside Nagpur, on the Nagpur-Bhandara road. Pardi was then the principal market of Nagpur, *i.e.*, in days before Nagpur had been connected with Calcutta and Bombay by railways. He saved a little money and started money-lending on a small scale. He also started petty trading in grain. He prospered and at the time of his death must have been worth about a crore of rupees. He had no son and adopted Ganpatrao. Ganpatrao was also a shrewd businessman and added much to the property. On his death, his son, Narayanrao, become the owner of the estate and business. He died young, leaving an infant daughter. Narayanrao's widow adopted Madhorao on her death bed The validity of the adoption is the subject-matter of the famous Ghatate case between Kumari Rajabai, daughter of Narayanrao and Madhorao Ghatate, the adopted son. The case is still going on in the Judicial Commissioner's Court. In addition to the money-lending and banking business, the Ghatate estate consists of 49 whole villages, 46 villages on 8 annas share or more, and shares less than 8 annas in 33 other villages, together with a certain amount of house-property. An idea of the volume of the money-lending business of the Ghatate family can be had from the number of money-lending shops and the total outstandings. They have 25 money-lending shops, including the three at Nagpur. The total outstanding in 1926-27 amounted to over Rs. 27 lakhs and in 1927-28 to over Rs. 28 lakhs.

1918. Firm of Rai Bahadur Bansilal Abirchand.—The history and development of the firm of Rai Bahadur Bansilal Abirchand, which is at present owned by Sir Bissessar Das Daga, Seth Narsingdas Daga, and other sons of the late Sir Kasturchand Daga, K.C.I.E., is described in a separate note in Appendix F.

1919. Methods of business.—An indigenous banker does not always directly finance agriculture. But village money-lenders and adatyas, when they need cash, may borrow on their own security from an indigenous banker to lend to cultivators at their own risk.

1920. In this indirect way he finances agriculture to a considerable extent. But some of them directly finance agriculture through their branch shops.

1921. The main function of the indigenous banker arises when the produce has to be moved. Small merchants buy grain for storage. The indigenous banker advances money on the security of such grain at very moderate rates of interest, 6 to 9 per cent.

1922. In Chhattisgarh where roads are not always good, small tenants who have no carts, and malguzars and other big cultivators who do not wish to take the trouble of carrying their grain to a distant market, sell their produce to petty dealers who go round and make purchases in the villages. These dealers are locally known as kochayas (petty dealers) or kheparis (traders making "kheps" or trips). These petty dealers are financed by indigenous bankers, who are also grain dealers or big grain merchants. The interest charged is often at ½ an anna per rupee per month or 37 per cent per annum for the duration of the trip.

1923. The small cotton merchants are to some extent financed by the local ginning factory owners but mostly by indigenous bankers who hold the cotton as security till it is sold in Bombay.

1924. The internal trade in cotton seed, oranges, etc., is carried on by small merchants who send their articles to various parts of India. These merchants draw demand hundis on the buyers, sometimes attach the railway receipts thereto, and negotiate them through a modern bank where there is one, or through an indigenous banker.

1925. Financing of cottage industries is generally left to money-lenders and dealers in raw materials and finished goods.

1926. Thus handloom weavers often buy yarn on credit and pay back after the finished articles have been sold. Sometimes the condition is that the articles should be sold through the man from whom the yarn has been bought on credit, but with the market as dull as it is, this is not very often the case nowadays. In any case, the difference in the cash price and the credit price of yarn is the interest. Thus Seoni weavers buy yarn from Puran's shop. For one pora of yarn 2 annas extra has to be paid when bought on credit, the price to be paid in a fortnight. The rate of interest therefore comes to, say, 2 annas for Rs. 8-8-0 in a fortnight or about 3 per cent per month.

1927. Their connection with bigger industries is not that of bankers. Many indigenous bankers in this province own ginning factories, cotton presses and cotton mills, and act as managing agents of cotton mills.

1928. The cotton mills of Nagpur, accept fixed deposits for a year from the public. They are also generally financed by the modern banks on the security of cotton, yarn and finished goods.

IV

CAPITAL, DEPOSITS AND RESERVES.

1929. Capital.—It is impossible to get exact figures for calculating the total owned capital and deposits held by indigenous banks. Sir Shankarrao Chitnavis and Mr. Ghatate have kindly given figures, showing total outstandings in certain years.

1930. All indigenous bankers urge that deposits constitute a very small fraction of the working capital.

1931. Deposits.—Deposits, as has already been explained, are more often taken by bankers who have extensive business of other sorts and are usually taken for financing their business other than banking. They accept deposits not so much as the Imperial Bank and the Allahabad Bank do for the purpose of banking, but as the Empress Mills and the Model Mills do for financing their trade.

1932. The rate of interest allowed on deposits depends on the term for which the deposit is made, the credit of the banker, and also on the need of the banker for additional cash.

1933. "On demand" deposits are very rare and bankers with very good credit will often refuse to pay any interest on it. The rate of interest on such deposits will seldom exceed 3 to 4 per cent per annum.

1934. On fixed deposits for 12 months, about 5 to 6 per cent may be fixed. Fixed deposits are generally for six months or 12 months. On fixed deposits for six months in the busy season as much as 6 to 7½ per cent may be given by the best bankers, and in the slack season 2½ to 3½ per cent is paid. Those who have not got very good credit may pay a little higher interest. Rao Sahib B. V. Buty of Nagpur and Mr. Dayal Bhai Inderjee of Jubbulpore and some others complain that on account of the competition of modern banks the current of deposits has been diverted from indigenous bankers to these modern banks. Complaints have also been made that the public are deterred from making deposits with indigenous bankers, because the officers of the Income-tax Department get the names of depositors from the books of the indigenous bankers and assess them to income-tax, while this is not done in the case of the modern banks. We understand that there is some truth in this contention. But, on the other hand, the indigenous bankers certainly pay higher interest on deposits than modern banks. If in spite of this indigenous bankers are feeling the effect of competition of modern banks, this must be because of greater publicity and greater credit of the modern banks. Few of them, however, make serious attempts to attract deposits as is explained elsewhere.

1935. Reserve.—There is no fixed proportion of reserve kept. Everything depends on the circumstances and judgment of each banker. As deposits are but a small proportion of working capital, a cash reserve is not considered a very important point.

1936. During the busy season when demand for cash is great, bankers keep as high a cash balance as possible. Against "on demand" deposits, a reserve of about 50 per cent is kept, of which 30 per cent is in cash and 20 per cent invested in such a way that a part of it matures every month.

1937. Sir Shankerrao Chitnavis does not now for the last two years encourage people to keep deposits with him. He now takes deposits only from approved customers. He says that he has never held deposits exceeding one lakh of rupees, and that he keeps no fixed proportion as reserve. A considerable sum is, however, kept invested in 61-day hundis, a part of which would mature every day. This is regarded as reserve kept against deposits.

V

Lines and terms of advances.

1938. Lines and terms of advances.—Advances are made on—

(1) A promissory note;

(2) A stamped receipt given by the borrower on a one anna stamp whatever the sum. The interest is not mentioned in the receipt as that would convert it into a bond and involve a higher stamp duty. The rate of interest in these cases is sometimes mentioned in a letter written by the borrower to the lender. Such advances are only made to people of very good credit, and the conditions about interest are often verbal.

(3) A bond on stamped paper. All the conditions of the transaction are mentioned in this bond. It is usual in the province to charge a higher rate of interest in case of default, and this also is mentioned in the bond.

(4) A signature given in the *sarkhat bahi* or *kabuli hisab* with a stamp affixed. This is a form of receipt meant only for smaller people.

(5) Rahan or mortgage of immoveable property.

(6) Mortgage with the condition of *lahan gahan*, which is in effect a conditional sale, *i.e.*, if the sum advanced is not paid in full by the due date, the property passes to the creditor.

(7) Pledge of gold and silver ornaments. This is known as Girvin. Ghatates charge about 6 per cent per annum to other money-lenders who may repledge ornaments, and 7½ to 9 per cent per annum to others.

(8) *Khat* or instalment system. A very common form of this is the *Mahin khat*. According to this system, sawai interest is charged on the principal, and the

principal and the interest so calculated are repaid in 12 equal monthly instalments (*vide* our note on Sonder, Bhandara district, Appendix E-XXVIII). This is known as the ughai system in Chhattisgarh. Such advances are also made to petty traders in grocery, cloth, stationery, etc. There are also other kinds of instalments.

(9) The security of grain or other produce kept in the godown of the lender. The interest charged by Ghatates is about 7 to 7½ per cent per annum.

(10) Hundis drawn in favour of the lender by the borrower. These are generally 61 days and 121 days, mudati hundis. Bombay hundis get five days grace, but local ones get no such grace. Local hundis are drawn for—

(*a*) financing local traders in cloth, grocery, stationery, etc.;

(*b*) lending money to other money-lenders, bankers, etc.;

(*c*) making deposits of surplus cash. Thus if a banker has too much cash in hand, he deposits part of it with other bankers, after taking a mudati hundi.

Such deposits are generally taken by poorer bankers or by those who, in addition to banking, have extensive business of other sorts.

The shroff rate for hundis, *i.e.*, for (*b*) and (*c*) is about 5 per cent per annum and for traders, *i.e.*, (*a*), 7½ per cent per annum.

1939. Grain lending.—The big indigenous firms also sometimes do grain lending. But this can be more fittingly discussed in Chapter XIV in relation to money-lenders.

1940. Rates of interest.—The rate of interest charged by indigenous bankers varies according to the character of the borrower and the security offered. The rate varies between 7 and 18 per cent per annum.

1941. The Agent of the Imperial Bank, Amraoti Branch, says in his written statement: "A great deal is said about the high rates of interest charged by the shroffs, but considering the risk they run and the amount of trouble they have to take in getting decrees against debtors from the courts and executing them, I do not consider their rates exorbitant."

1942. Sir Shankerrao Chitnavis in an interview said: "The rate of interest has to be high on account of want of security, the delays of court and other miscellaneous expenditure. There is often considerable risk even when property is mortgaged, *e.g.*, in the case of Mussalmans, Hindu widows and Hindu joint families. There have been cases of a borrower applying for insolvency within two months of executing a mortgage-deed. This of course makes the deed void, and the mortgagee then only counts as one of the other creditors. As the same man borrows from different persons, it is difficult to fix a credit limit."

Sir Shankarrao has supplied the following figures to give an idea of the risk :—

Year.	Total outstanding.	Written off as bad debt.	Percentage of the total outstanding.
1	2	3	4
	Rs.	Rs.	
Sambat 1982 (1925-26) ...	16,85,948	25,090	1·5
1983 (1926-27) ...	16,97,025	28,695	1·7
1984 (1927-28) ...	17,02,762	42,475	2·5

1943. Small overhead charges.—Rao Sahib B. V. Buty, an indigenous banker, claims that the overhead charges of indigenous bankers are considerably less than those of joint stock or even of co-operative banks.

1944. The Agent, Imperial Bank, Amraoti Branch : says, "Owing to their intimate knowledge of the inhabitants, they (indigenous bankers) can transact business on safe lines that no joint stock bank dare touch."

1945. Modern banks may have high overhead charges, but they manage to lend money at lower rates of interest.

1946. Low paid munims.—The branch shops of indigenous bankers are in charge of munims who are by no means well paid. We have heard complaints, that such employees take a certain proportion of the money lent as commission, and also do not enter all repayments in their books or give receipts.

1947. Bad debts.—The pay being low, the temptation to supplement income in this way must be great. (It is to prevent such abuses that Sir Shankarrao Chitnavis has appointed two Inspectors.) "He (the money-lender's agent) will continue to make, and live on his commission, until his master pays him a living wage and one commensurate to his responsibilities." (Mr. Dyer's report on settlement of the Nagpur district, 1912-17, page 30.) The result of course is that the credit limit must often be exceeded to the loss of employers. This may be an important cause of bad debts.

1948. There is no doubt that indigenous bankers do business that joint stock banks would not dare touch. This business is only remunerative owing to the general high rate of interest charged, the good borrowers paying for the losses incurred in financing the bad.

1949. We have already explained in detail the great services which the indigenous bankers and money lenders have performed and continue to perform in the financing of agriculture, and it is perfectly true to state that the intimate knowledge

which they have of the personal character, paying capacity and assets of their clients gives them great advantages for carrying on business of this kind.

1950. Evil results of high rate of interest.—But as we have explained elsewhere, the high rate of interest charged is one of the main causes of the accumulation of debt, of the stifling of enterprise, and of stagnation in agricultural industry.

1951. Remedy.—We feel that it would be far more in the interests of the nation as a whole, if the indigenous bankers and money-lenders controlled their natural temptation to gamble in loans to persons of poor credit at high rates of interest, and confined their business to financing persons of good credit.

1952. The indigenous bankers claim that they do not obtain more than 6 to 9 per cent profit on their capital. If this is correct, they might obtain the same profit by confining their business operations to advances to persons of good credit at lower rates of interest than they at present charge to their clients, the financing of a considerable portion of whom is a pure gamble.

1953. We have quoted elsewhere, as an instance, the economic condition of Rajegaon in the Balaghat district, to show the demoralizing effect of high rates of interest and the vicious circle which is created thereby.

1954. We have stressed elsewhere the urgent need for the provision of credit facilities at reasonable rates of interest, and this cannot be generally possible until the indigenous financiers abandon their present habit of financing persons, whose credit does not justify such action.

VI

Establishment.

1955. The establishment of all indigenous bankers seems to be the same; but while Marwari bankers pay more to their employees, usually Marwari, the non-Marwari bankers pay less. This will be apparent from the following :—

Sir Shankarrao Chitnavis has, in his central establishment—

	Rs.
One manager on Rs. 150 a month	150
Two Inspectors at Rs. 50 a month	100
Three clerks at Rs. 35 a month	105
Two muktiars at Rs. 35 a month	70
(Their duty is to look after the court work) ...	..
Total monthly expenditure ...	425
Total yearly expenditure ...	5,100
Add—Travelling allowance of the manager and Inspectors ...	900
Total ...	6,000

In his Nagpur shop he has—

One munim on Rs. 40 a month.
One assistant on Rs. 30 a month.
One khajanchi at Rs. 30 a month.
One warkari at Rs. 25 a month (his duty is to realiz monthly instalments).
Three peons at Rs. 15 per month.

In addition they get a little *bakshish*. He has numerous branch shops.

1956. To supervise a business of which the total outstandings come to about Rs. 17 lakhs, an expenditure of Rs. 6,000 is made, *i.e.*, about Re. 0-5-8 per Rs. 100 outstanding.

1957. Mr. Madhorao Ghatate has in his banking shop in Itwari Chowk, Nagpur—

	Rs.
One munim on Rs. 50 a month	50
One rokadia or cashier on Rs. 42 a month ...	42
One gomastha on Rs. 22 a month	22
Three peons at Rs. 17 each a month	51

His total expenses for the month come Rs. 165 or Rs. 1,980 a year, say, Rs. 2,000 a year.

1958. The business done by this shop during the last year came to Rs. 5,19,000. The expenditure on the shop comes to Re. 0-6-2 per Rs. 100 of business done. Profits made from the main shop at Nagpur and the banking shop at Itwari Chowk, Nagpur, and the expenditure on these shops, including bad debts, excluding the income-tax paid, can be seen from the following :—

—	1926-27.	1927-28.
1	2	3
	Rs.	Rs.
Interest receipts	20,535	20,318
Commission received on hundis	10,837	17,233
Profits from grain trade	625	646
Miscellaneous receipts	3	
Total gross profit ...	32,000	38,227
Less total expenditure. ...	5,012	8,070
Total net profit ...	26,988	30,157

1959. In 1926-27 the expenditure came to 15.7 per cent of the gross profits and in 1927-28 to 21.1 per cent. The higher percentage of the latter year is due to the differences in the item of bad debts written off in the two years. As against Rs. 5 in 1926-27, Rs. 3,105 were written off in 1927-28. The bad debt of 1927-28 comes to about 8 per cent of the gross profit.

1960. Marwari bankers—Central establishment.—The estimate provided by Seth Narsingdas Daga of the famous banking firm of Bansilal Abirchand is given here as typical of the establishment of Marwari bankers:—

The number in each case will depend on the volume of business.

- One munim on Rs. 100 to Rs. 200 a month.
- One rokadya or Cashier on Rs. 75 to Rs. 150 a month.
- One gomashtha on Rs. 60 to Rs. 125 a month.
- One gomashtha on Rs. 50 to Rs. 100 a month.
- One muktiar on Rs. 50 to Rs. 75 a month.
- One tagadewala on Rs 25 to Rs. 40 a month.
- Two peons at Rs. 15 to Rs. 18 a month.
- One night watchman on Rs. 15 to Rs. 18 a month.

1961. In addition the munim will get a cash bonus of Rs. 100 a year, the rokadya Rs. 80 and the gomasthas Rs. 70. The others get a pagree at Diwali.

Branch establishment—

One munim on Rs. 100 to Rs. 150 a month.
One rokadya on Rs. 75 to Rs. 100 a month.
Two peons at Rs. 15 to Rs. 18 a month.
One night watchman at Rs. 15 to Rs. 18 a month.

VII

Clientele.

1962. Clients.—In their strictly banking business, indigenous bankers deal with merchants, traders, modern banks, other indigenous bankers, adatyas, town and village money-lenders, malguzars and cultivators.

1963. Indigenous bankers finance merchants and traders (1) by lending them money on 61 days hundis drawn by such traders on themselves and in favour of such bankers, (2) by advancing money on the security of goods in their godowns and (3) in other ways. They discount mudati hundis drawn against goods sent and also hundis on their adatyas, agents and correspondents abroad. But this last class of business has almost entirely passed out of the hands of indigenous bankers on account of the competition of the Imperial Bank, Allahabad Bank and Government sub-treasuries.

1964. Indigenous bankers come in contact with modern banks, when they want (1) to rediscount hundis, (2) make remittances, (3) keep some of their cash reserves in current account or (4) take advances on the security of Government paper or of other fluid assets.

1965. The Imperial Bank and the Allahabad Bank have definite limits up to which they rediscount hundis of individual indigenous bankers. They must of course be satisfied with the two names on the hundis.

1966. Indigenous bankers present hundis for rediscount only when they are in need of ready cash. Indigenous bankers finance one another by advancing money on 61 or 121 days hundis drawn in their favour and by rediscounting bills.

1967. An indigenous banker in need of funds will often repledge gold and silver ornaments pledged to him by clients.

1968. Sometimes advances are made on a simple receipt.

1969. Accepting one another's hundis to faciliate remittance, is very seldom done nowadays unless cash is deposited beforehand. This is generally done through modern banks. But when two indigenous bankers know each other well, they may by arrangement accept each other's hundis, and collect hundis for each other up to a certain limit fixed by mutual agreement.

1970. For this purpose Ghatates have got an adatya in Bombay with whom they have about Rs. 50,000. The Mohtas of Hinganghat have a shop in Sambalpur, in Bihar and Orissa and have agents in Bombay and Calcutta on whom they may draw hundis. Bansilal Abirchand have 8 branches inside, and 17 branch shops outside, the province, with numerous agencies in India and abroad.

1971. Adatyas sometimes borrow money from indigenous bankers, and finance cultivators in the expectation that the latter will sell their produce through them.

1972. Malguzars borrow money from indigenous bankers, sometimes as mere borrowers, and sometimes to lend again at a higher rate of interest to cultivators (*vide* Bothali village, Wardha district, Appendix E-XXXI). Urban and rural money-lenders are often financed by these bankers.

1973. Hundis.—A few words about the hundi, the most important and typical of instruments of credit used by indigenous financiers, will not be out of place here.

1974. There are two kinds of hundis *dhanjog* and *shahjog*. In the former case, the accepter may pay to the person named, in the latter payment is to be made on the drawee being satisfied as to the identity and respectability of the payee. In this province, hundis of the latter kind are mostly used.

1975. Hundis may again be (1) darshani, *i.e.*, payable at sight, or on demand, or (2) mudati or usance or time hundis. The usual period for which a mudati hundi is drawn is 61 days. It is sometimes 121 days. It never exceeds a year and even a year in very few cases.

1976. It is the practice in some cases for less orthodox bankers to enter in some hundis, the words "Office dhara". This makes the hundis payable on office days and not on holidays. Otherwise they can be cashed on holidays also.

1977. There are no bearer hundis, *i.e.*, hundis that can change hands without endorsement, in use in the province. Neither the businessmen nor the bankers think they would be useful. Hundis are drawn for—

(i) Accommodation, *e.g.*, for financing local traders in cloth, grocery, stationery, grain, etc., for financing other bankers and other money-lenders who may be in temporary need of cash. They serve the purpose of bonds in this case.

(ii) Making deposits, *e.g.*, when a banker has more cash in hand than he needs, he deposits part of it with other bankers after taking a hundi from them drawn in favour of himself. This serves the purpose of a deposit receipt.

(iii) Remitting funds from one place to another. In this case, a "darshani" hundi is used. A banker draws on his munim, adatya, agent or correspondent to pay a certain sum of money to a certain person on demand. This is of course done for consideration. As has been pointed out before, however this business has now passed very largely into the hands of modern banks.

(iv) Giving credit to a purchaser. The seller may draw a hundi on a buyer ordering him to pay at sight or on some determinable future day a certain sum of money to a certain person. It is more usual in this province to draw a "Sight" bill or to give credit for a month expecting the debtor to remit funds in full payment on the due date. The debtor in big trade centres, where there are modern banks, generally buys a demand draft from a modern bank and sends it to his creditor. Otherwise he may do it through an indigenous banker. When a sight bill is drawn it is negotiated with or without the railway receipt being attached. The railway receipt is only attached in the case of persons whose credit is low.

Hundis are generally discounted locally. They are seldom sent to a provincial centre.

1978. Hundi and the modern bill of exchange.—There is hardly any difference in the methods of hundi business and that of a modern bill of exchange. At the time a banker draws a hundi on the munim of his branch shop or on his adatyas, agent or correspondent outside the province, a letter is sent to the latter informing him of the name of the party in whose favour the hundi has been drawn and the amount for which it is drawn. If such information has not been received, great care is taken before making any payment, and payment will often be refused.

1979. Forms of hundis.—The printed hundi forms in Gujrathi and Hindi in use in this province, follow the form of modern cheques to some extent.

VIII

Recommendations.

1980. Licensing, publicity of accounts, attitude towards some sort of Government control.—After what has already been said about indigenous bankers in this province, the answers to these questions become obvious.

1981. An indigenous banker is not only a banker, and is not even principally a banker. He is a business man who uses his capital to earn a profit, and he undertakes any kind of business that he thinks will bring him a profit.

1982. Licensing of bankers as a separate class in itself would serve no purpose except perhaps to produce a small revenue to Government from the fee. There must be some conditions attached to indigenous banking, one of them being publicity of accounts.

1983. But the present methods of indigenous business do not lend themselves to the publication of accounts.

1984. It may be contended that it would suffice if only the accounts relating to the banking part of the business are published. But the two branches are not managed separately, and funds from one form of business are constantly being transferred to another as chances of making profit present themselves. The publication of accounts of the banking side of the business will serve no useful purpose, if the financial position of the banker with regard to his other business activities is shrouded in mystery.

1985. The indigenous bankers themselves object to licensing, to publication of accounts and to any Government control.

1986. Nor do we think that such regulations will serve any useful purpose unless and until we get a class of indigenous bankers who are exclusively or a least principally and predominantly bankers.

1987. Unwillingness to disclose the exact financial position is not confined to the indigenous bankers and credit agencies of India only. The same phenomena has occurred in some of the old private banks in Europe. The *raison dêtre* for secrecy appears to be that a detailed disclosure of one's financial operations may be injurious. It is true that a disclosure of business secrets which may be useful to rivals, would be injurious. But the indigenous banker does not yet appear to have realized that public confidence, which is the main basis of a modern banking business, cannot be adequately maintained by secrecy.

1988. We have explained in Chapter II of this report that, owing to the fact that in the indigenous system of banking and money-lending, the advantage of an augmentation of resources by the taking of deposits on a large scale has not yet been realized, the majority of financiers, both big and small, prefer to confine their business to the limit of their own capital, while many of them stated to us that they are not prepared to take the risk of carrying on business on borrowed capital.

1989. This is presumably the main reason why the need for obtaining and maintaining public confidence has not yet been realized.

1990. It might be argued that the desire for secrecy implies some defects in the methods of business, or some weakness in financial position, and this secrecy, coupled with some recent instances of bank failures, has undoubtedly diminished public confidence in these institutions.

1991. It appears to us that until the indigenous banking community realize that the advantages to be obtained from public confidence far outweigh any disadvantages in business which may arise from publicity, the indigenous banking community will continue to be opposed to proposals for the publication of accounts and Governmental control.

1992. It appears then most necessary to attempt by all means in our power to bring home to these persons that the publication of accounts and the separation of banking from other forms of business are the only means whereby they can themselves hope to prosper in future.

1993. Difficulty of linking of the indigenous bankers at present with the general banking system.—It is a truism that banking depends on credit and that trade depends on the knowledge of the circumstances of the parties. It cannot be expected that the general public can retain confidence in bankers who are constantly engaged in speculative business. Experience has shown that there can be no guarantee that losses in the latter kind of business will not lead to the insolvency of the banker. It apears, therefore, to us to be quite clear that until a district class of whole-time bankers arises, the linking up of these indigenous credit agencies with the general banking system of the country cannot become a practical possibility.

1994. The banker themselves have not placed before us any useful suggestions for providing them with additional facilities. Their attitude on the whole has been one of indifference, and they appear generally to desire to be left alone to carry on their business according to their old fashioned methods.

1995. Reduction of stamp duty.—Some persons have suggested a reduction in the stamp duty on mudati hundis or usance bills. So far as the mudati hundis are used for financing internal trade, this demand is reasonable; but as we have already explained here and elsewhere that this instrument is used in the place of a bond in money-lending transactions, this point will have to be considered along with the whole subject of stamp duty.

1996. Future of indigenous banking.—The questions which we have most carefully and anxiously considered are as follows:—

> What is to be the future of indigenous banking in this province? Will it, in competition with the modern commercial banks, go to the wall as the Indian handicrafts have gone to the wall in competition with the modern factories?

1997. It seems clear that many of the functions of banking which was previously performed by indigenous firms have now been naturally diverted to the modern banks, and that the only important part of the indigenous banking which remains in this province and which may perhaps remain for a long time is the business of money-lending.

1998. It is true, as we have explained more than once elsewhere, that the indigenous money-lender has in many respects

several advantages as a credit agency owing to his intimate knowledge of the character and assets of his clients. This knowledge, the modern banks on the one hand must find too expensive to obtain specially with regard to the rural population, and the co-operative credit banks on the other hand cannot hope to command unless and until the co-operative society itself performs its proper functions of supervision and control of its individual members.

1999. But we ask ourselves whether the indigenous bankers are to be content hereafter only with doing that business which the modern banks dare not touch, just as the handloom weaver is more and more concentrating on producing those goods which the mills do not produce.

2000. It would be a matter of infinite regret to us, and against the true interests of the nation, if this is to result.

2001. Formation of private banking companies.—We feel that the future of the indigenous bankers lies in their own hands, and that, if they are to be saved from extinction, they must get out of the present rut, and re-organize themselves on modern lines.

2002. If the big bankers are not prepared to confine their business to banking functions only, the only remedy lies in the formation by them of separate banks upon new lines. They can, if they desire, combine themselves into private limited companies of friends and relations with a capital for the business of banking separate and distinct from the capital invested by them in other kinds of business. The actual work of the bank will be carried on by a separate manager, while they themselves will only supervise as directors.

2003. A private limited company formed of relations or selected friends as shareholders will perhaps appeal to them more than a public company. They may then not feel that their individuality has been entirely lost, as they might in the case of the formation of a public joint stock company.

2004. As regards indigenous banks and bankers, the question of licensing and publication of accounts would not then arise. These private banking companies would work like other limited companies and joint stock banks. Balance sheets would be published and the public would be in a position to judge of their financial position. The banks might still follow their own systems of account keeping, and they will have only to introduce the system of cheques with their own system of clearing houses.

2005. No difficulties will be experienced in linking up institutions of this kind with the modern banking institutions of the country, and this change will probably gradually take place of itself, without any outside interference.

2006. As soon as institutions of this kind have established public confidence, their cheques will be readily accepted by other banks, and they may in time become members of a common clearing house system.

2007. Government help necessary.—It is the duty of Government to encourage reorganization along these lines, and to assist the indigenous banks and bankers in an innovation fraught with so much economic benefit to the country. This Government can do by appointing these institutions, when formed, as Government bankers, leaving with them the Government balances in those places where there is no branch of the Imperial Bank, subject of course to any safeguard which Government may consider necessary.

2008. Apart from the pecuniary advances resulting therefrom, the mere holding of Government balances and the balance of local bodies would do more than anything else to gain for them the confidence of the public, which is so necessary for the success of a banking institution.

2009. The greatest care and tact, however, is required to overcome certain prejudices and to remove certain misapprehensions which exist at present. A sympathetic gesture on the lines suggested above together with any other assistance and advice which the Government may be able to give, will do much to convince this community that it is not the policy of the Sirkar to destroy them, but to assist and strengthen them. When once existing misapprehensions are removed, we think that many persons will be found willing to accept any reasonable conditions that Government may lay down for the safety of public funds and for the development of banks of this kind upon sound lines.

2010. On the other land those who continue their present methods of business unchanged, would of necessity fall in the category of money-lenders for the purpose of licensing and regulation, with regard to which we have proposals in the following chapter.

CHAPTER XIV.—OTHER INDIGENOUS CREDIT AGENCIES.

I

DESCRIPTIVE.

2011. We have explained in Chapter XIII that in the system of indigenous finance, no clear line of distinction is drawn between the so-called indigenous bankers and other indigenous credit agencies. Their business differs rather in quantity and in degree than in method. It is true that there are a number of big men commonly styled indigenous bankers, whose money-lending business is confined almost entirely to the advancing of large sums to persons of substantial credit usually upon mortgages of landed property, *e.g.*, Rai Bahadur Seth Puransao of Seoni, who appeared before us as witness No. 110.

2012. But, on the other hand, many of the big financiers and so-called bankers also do some petty money-lending, *e.g.*, the firm of Chitnavis, Buty, etc., etc. The principal business of these firms consists of the advancing short term and seasonal loans, often of quite small sums, to cultivators.

2013. In money-lending there is practically no difference in the general methods of the so-called bankers and the smaller men, except that the smaller money-lenders hardly ever lend money on mudati hundis drawn in their favour, while the money-lenders also often lend small sums of money to persons whom they know well for short periods without any written acknowledgment. This is known as *hath udhar*.

2014. Money-lending in urban areas.—In urban areas advances are made to petty traders and sowkars at so much per weekly bazar or so much per day. The former is known as "Atki" (meaning eight days). Sometimes advances are made at the beginning of month repayable by daily instalments during the month. In these cases the rate of interest is generally high.

2015. Pandit Gajadhar Prasad Pateria, a very wealthy money-lender of Jubbulpore, is an example of a man who has become rich by lending money on the instalment system to small persons at 24 per cent. Thirty-five years ago he was a *pujari*. He started as small money-lender, lending small sums to hawkers and petty traders on the daily, weekly, and monthly instalment system. He is said to be now worth about Rs. 20 lakhs. He manages his business himself with the help of two munims and a few peons. He works hard and especially on Sunday—the bazar day—when he is in the market from 7 a.m. to about 2 p.m. realizing weekly instalments.

2016. Sometimes the rate of interest is so much per *khep* or trip as in the case of the small traders who buy grain in the interior of Chhattisgarh and sell it in big markets. In this system, known locally as the khepari system, the principal with interest is repaid after every trip and a fresh loan is taken for the next trip to the interior.

2017. Rural money-lending.—Money-lending in urban areas, however, is relatively unimportant when compared with money-lending to agriculturists, who have been financed by the indigenous mahajans or sowkars from time immemorial.

2018. As we have explained in Chapters II and XIII, the money-lender is rarely if ever a whole-time money-lender, but has usually some other profession.

2019. Sources of rural finance.—The principal sources of finance in rural areas are the sowkar proper, the malguzar or landlord, and the substantial cultivator.

2020. As is explained in Chapter IV, 82.85 per cent of the total amount of agricultural debt is due to the sowkar or mahajan class. These men are usually Banias, the Marwari and Parwar Bania being the most common. The business of many of these men has been established for several generations, but in nearly all cases they began as petty traders or shop-keepers, while most of the village Banias are also shop-keepers, and nearly all the grocers and cloth merchants, etc., in rural areas also do some money-lending.

2021. In some cases the bigger Bania money-lenders have acquired landed property which they manage in addition.

2022. The malguzars and cultivators, who also do money-lending, are of course malguzars and cultivators first, and money-lenders afterwards, and as we have explained elsewhere, we have found an increasing tendency for those who have accumulated capital to invest it in lending money to their poorer brethern.

The main feature, therefore, of indigenous credit agencies is that they are rarely if ever whole-time money-lenders pure and simple.

2023. Nearly all these persons, as has been previously explained, use their own capital for their money-lending business. At times when they are in need of money they take advances from the bigger shroffs and so-called indigenous bankers, but the custom of taking deposits from the public for the purpose of financing money-lending is extremely rare.

2024. Difference between the malguzar money-lender and the mahajan.—In the methods of business and in the rates of interest charged there is on the whole practically no difference between the sowkar, the malguzar, and the money-lending cultivator.

2025. It has been urged before us that the sowkar is primarily concerned with obtaining profits from his business and that as he is not usually a cultivator, he is not anxious to acquire land through his money-lending, while it is alleged that the malguzars and cultivators who do money-lending have a natural temptation to acquire the land of their clients. It has, therefore, been argued that the village mahajan or sowkar is a credit agency economically less dangerous to the agricultural borrower than the malguzar or money-lending cultivator. In support of this

view, it has been argued that if the village mahajan had been actuated by a desire to acquire land, he would, under the existing financial system, have been able by now to acquire most of the transferable land of the province. We have discussed this in Chapter IV in relation to the effects of indebtedness.

2026. It is argued that although some sowkars may have been desirous of acquiring malguzari rights in villages, they are not anxious to acquire tenancy land, whereas the malguzar or money-lending cultivator has a natural urge to extend his property, and to get possession of the land of those who borrow money from him. There is considerable force in this argument.

2027. We have explained elsewhere that enquiries made in Berar show that during the last 50 years only one-sixth of the agricultural land in Berar has passed into the hands of money-lending non-agriculturists; and it is certainly true that the area of tenancy land held by non-agricultural money-lenders in the Central Provinces is relatively small. The truth appears to be that although money-lenders have in the past been pleased to acquire some landed property through the idea that this added to their social status, most of them have found it more profitable to obtain repayment of debts in cash, because the profits from money-lending, if the turnover is reasonably rapid, are considerably greater than the profits which an absentee non-cultivating money-lender can obtain from land.

2028. It does at least seem certain that in Berar at any rate, the money-lending classes might have got possession of a much larger area of land, if they had been really anxious to do so. It would have only been necessary for them to have been more vigorous in pressing their claims in the law courts, and in executing their decrees upon the property of debtors.

2029. Under present conditions, at any rate, it is clear that the money-lenders as a class are not anxious to acquire more land, and will only take land in satisfaction of debts as a last resort.

2030. On the other hand, although it may appear that the landlord has a natural temptation to endeavour to obtain possession of the land of his debtors, we have not found in the course of our enquiries, that the malguzars have taken full advantage of the opportunities which they obtain for doing so.

2031. There still exists a large number of malguzars who have the interests of their tenancy at heart, although, as we have explained in Chapter II, there are some, particularly among the absentee landlords, with less altruistic motives.

2032. On the whole, in the course of our intensive village surveys, we have come across relatively few instances in which the malguzar has abused his position as a money-lender in order to obtain unfair advantage over his tenants.

2033. It appears to us, however, that the existing law with regard to occupancy tenancy land, gives the money-lending malguzar dangerously wide scope for getting possession of the land of tenant borrowers if he desires to do so, and there is always a

danger that transactions between the malguzar and his tenant may be tainted by a certain amount of undue influence. We feel that this is one more reason why facilities should be created with the least possible delay to enable tenants to acquire full rights in their land. The malguzar could have no special facilities for acquiring land, which was freely transferable to third persons. If he desired to acquire tenancy land, he would be compelled to compete with others on equal terms, if the land were freely transferable.

2034. We have already explained that the financing of short-term seasonal loans, together with a certain amount of intermediate loan business, is the principal function of the rural money-lender.

2035. But money is not the only commodity on which interest is charged. We have already explained that the ordinary cultivator's income is received by him at the most in two instalments during the year, if he cultivates both winter and rains crop, and is received in only one lump sum if he concentrates on one form of cropping.

2036. He normally purchases most of his requirements, such as cloth, etc., at harvest time, but he also sometimes purchases cloth on credit, particularly in the intermediate season between the harvests. If he does not pay the price of the cloth within a month, he is usually charged interest varying between 12 and 24 per cent per annum. A debt may also be created by the purchase of other articles on credit.

2037. The weavers still buy yarn on credit, as has been pointed out elsewhere, at a higher price, the additional price usually working out at the equivalent of 3 per cent interest per month or 36 per cent per annum.

2038. In some cases, on the other hand, as in the case of the Tagla system among the weavers of Chanda, the weaver undertakes to repay the loan by selling the finished goods to his sowkar at a prices below the market price.

2039. Repayments in kind: liens on crops, etc.—We have explained in Chapter VII how the Laoni has now practically died out. Other similar systems were the Jor system of Nimar and the Bandhor system of the north of the province. All these systems are fast dying out.

2040. As regards the Jor system, Sir A. E. Nelson wrote as follows in the final Settlement Report of the Nimar district.

2041. "The cultivators have in the last decade so strengthened their economic position that they are able to keep their debt transactions and trading operations quite apart. The system of forestalling the crop (known as the "jor" system), which was formerly very prevalent in the district, now lingers on only in the villages such as the ryotwari villages where credit is at a minimum. The system is as follows:—A ryot wishing to borrow Rs. 50 at the beginning of the season, the sowkar agrees

to lend it on the condition that, say, a mani of cotton valued at Rs. 50 for the occasion—the bazar rate being about Rs. 80—be paid when the crop is ready. If the man can pay the mani of cotton, the Rs. 30 is the sowkar's profit. If he cannot pay the cotton, the sowkar will not take a cash payment, but insists on a fresh "jor" in cotton of two manis. The debt may then rise in a year from Rs. 50 to Rs. 160. The cases in which a cultivator is forced to sell his crop to his sowkar at a rate below the market rate are few and far between, nor do the cultivators nowadays mortgage their crop in advance."

2042. The "jor" system seems, however, to have now disappeared altogether.

2043. The practice of lending money on the security of the standing crops has also now practically disappeared. In very rare cases, however, this is still done when loans are given for agricultural expenses.

2044. Loans on the security of future crops.—We found in our intensive village surveys that in some parts of Chhindwara district, *e.g.*, in the village of Linga (*vide* Appendix E-LXXII), deeds purporting to mortgage the crops of future years until repayment are sometimes executed as an ostensible security for loans in occupancy tenants. The money-lenders admitted that they knew that the so-called mortgages are not valid in law, but said that they took such deeds, because they helped them to secure repayment of their debts, as the cultivators thought these mortgages to be valid. The money-lenders, of course, never take such cases into the courts of law.

2045. In some cases the debtor has to undertake to make repayment in the form of service rendered by himself or a member of his family to the creditor with or without payment for a certain fixed period. Big cultivators and malguzars are generally the creditors, and labourers debtors, in such cases. The contracts are usually confined to the more backward tracts, and are becoming less common (*vide* Bhikar Mandwa, Betul district, Appendix E-LXXI).

2046. Grain loans.—This brings us to the relatively important subject of grain loans. We have explained in Chapter II that in considerable parts of the province, particularly in Chhattisgarh, grain is still an important medium of exchange and that in many parts of the province wages of hired agricultural labour are paid in grain. But, in the more developed parts of the province, particularly in the cotton zone, where money crops are principally grown and where money is now almost the only medium of exchange, grain loans are rare. The lending of grain at interest is commonly known as lending on *barhi*. The grain is generally advanced at the beginning of the agricultural season on the condition that it be returned with the stipulated *barhi* at harvest. The *barhi* rate varies considerably in different parts of the province and according to the grain borrowed. It may be sawai, 25 per cent, dedhi, 50 per cent, or duni, 100 per cent. The most common *barhi* rate for wheat advances in ordinary years

is 25 per cent, although in years of crop failure, and in the case of cultivators with very poor credit, the rate may sometimes be higher. The rate of interest on rice loans is also usually sawai, although dedhi is less uncommon for rice than for wheat.

2047. Mr. Hamilton on page 24 of his settlement report for the Seoni district (1916-20) refers to the different rates of *barhi* charged for the kharif and rabi grain, the rate being dedhi for kharif and sawai for rabi. Mr. Date, Vice-President of the Central Bank, Jubbulpore, in his written statement says: "Sawai is charged for wheat and gram, dedhi for rice and duni for tilli and san hemp seed."

2048. Wheat is a relatively expensive seed, while the outturn is relatively low. For rice cultivation the amount of seed required is less, while the normal outturn is greater. The amount of seed used for tilli, san hemp, etc., etc., is relatively insignificant and the outturn is very heavy; and as a matter of fact the seed for these latter crops is rarely borrowed.

2049. It is customary to charge a higher rate than the usual *barhi* from a new client the first time he borrows.

2050. **Surcharges which a borrower has to pay.**—The borrower has also frequently to pay in addition to the *barhi* certain other charges. The Superintendent of Land Records, Bhandara, in his written statement refers to some of these: "The agriculturist has to pay over and above the sawai a surcharge meant for the maintenance of the measurer and a general servant who looks after the granary of the sowkar. Besides these surcharges which are common to all sowkars, some of the bigger sowkars also charge some miscellaneous exactions, *viz.*, doles for the elephant maintained by the sowkar, doles for the dog maintained for the protection of the granary." When he appeared before us this witness said that he had actual instances in mind when he wrote this. Mr. Dyer on page 20 of his settlement report of Nagpur district (1912-17) refers to such abuses about which Sir Reginald Craddock had many hard things to say as follows: "The strictures of Sir Reginald Craddock had the desired effect of awaking some of the biggest grain-lenders to the doings of their underlings who made their commission out of the tenant both when the grain left the malguzar's barn and when it returned." We have discussed this in greater detail in our note on the Nagpur district.

2051. **Loans of cotton seed.**—Sometimes cotton seed is lent on condition that for every maund of cotton seed half a maund of cotton should be paid. If the price of cotton is high, the interest charge becomes very high, but when the price of cotton is as low as it is at present, this system results in a very moderate rate of interest. This system is now very rare in Berar, but still continues in some parts of Nimar district, though it is rapidly dying out.

2052. The grain-lending business is generally in the hands of malguzars. No bond is taken in these cases. As the lender is the malguzar, there is not much risk. If the debtor does not

pay back at harvest, in some tracts the whole debt is converted into a cash debt by calculating the value of the grain advanced and of the *barhi*. A bond is then taken for this amount at 25 per cent interest per annum. In other tracts the debt remains a grain debt payable at next harvest with the stipulated *barhi* on the principal and interest. In this connection the details of a case given by Mr. Chitale, Pleader, Bilaspur, in his oral evidence may be read with interest.

2053. Mr. Dyer writes on page 30 of his settlement report of the Nagpur district (1912-17): "Some of the grain borrowing must be described as a purely business deal. If a really substantial man is found to be borrowing seed grain, it cannot be ascribed to necessity. It is because, rightly or wrongly, he considers it better to sell off his surplus stock and to borrow grain when the price is highest and repay it with interest when the new crop is on the market and the price lowest, and to put on the dealer, usually the malguzar, the risk of loss by fire or water." A substantial cultivator, however, nowadays rarely borrows seed from the malguzar's barn as it is a mixture of grain returned by different borrowers. The sawai rate is certainly not an unreasonable rate of interest, when it is remembered that seed is usually more expensive at sowing time when it is borrowed, and cheaper at harvest time when it is returned.

2054. Seed unions.—In so far as grain is borrowed for seed, which is the most important purpose in the province as a whole, much good could be done by a rapid expansion of the system of seed unions. The advantages are as follows:—

(i) Cultivators get good seed from the Agricultural Department instead of mixed seed of poor quality from the sowkar and the malguzar.
(ii) In a few years the necessity for borrowing disappears.
(iii) The system gives a lesson in joint action in the common interest.

2055. Put briefly the scheme is as follows:—Some cultivators combine into a seed union. They borrow the seed from Government at 10 per cent *barhi*, and charge from themselves, the members of the union, 20 per cent *barhi*: each year they pay 10 per cent of the capital and 10 per cent *barhi* from the 20 per cent *barhi* collected from members. Given average crops the capital amount of seed soon becomes their own property. There is wide scope for the development of this system in the wheat zone.

2056. Adatyas as financiers.—In Berar and in cotton tracts generally adatyas sometimes finance cotton cultivators. In these cases there is no express agreement that the cotton-growers must sell their cotton through these adatyas though there is a tacit undertaking to do so. As the adatya in addition to the interest only charges the usual adat, the cultivator has no objection to selling through him.

2057. The adatya of course gets additional custom in this way and can be sure of his advances being repaid when the cotton is sold.

II
INTEREST.

2058. Interest.—The ordinary rate of interest charged by money-lenders varies between 12 and 24 per cent. On good security, such as mortgage of transferable land, the rate of interest varies usually between 9 and 15 per cent in the Central Provinces, while it is slightly higher in Berar, varying between 12 and 18 per cent, the average there being about 15 per cent. The vast majority of loans in the Central Provinces, however, are on personal security only, owing to the fact that 71 per cent of the area occupied for cultivation is non-transferable, and cannot provide security for loans.

2059. Interest usually higher for unsecured loans.—The ordinary rate of interest charged for small loans given to occupancy tenants is 24 per cent, while in the case of the ryots of Government ryotwari villages, who have no right of transfer in their land and who are also liable to ejectment for the breaches of certain conditions, the rate charged is, as often as not, 37½ per cent.

2060. But personal credit is also a factor.—The rate of interest also depends considerably on the personal credit and character of the borrower and upon the sum borrowed.

2061. We have found cases where occupancy tenants of good status have been able to borrow money without collateral security at 12 per cent interest, while in other cases on mortgage loans, particularly when there is a prior mortgage or the cultivator is known to be extravagant or heavily indebted, the rate of interest may be higher.

2062. The risk is the determining factor.—The main factor determining the rate of interest is, of course, the risk, and for this reason the rate of interest ordinarily charged from occupancy tenants is considerably higher than the rate charged from cultivators who have transferable rights in their land.

2063. In any case the limit of credit is lower if the cultivator has no rights of transfer.—Although, as we have already stated, cases have come to our notice in which a cultivator without rights of transfer in his land is not charged a higher rate of interest than some others with transferable rights, the capital amount of the loan which he can raise is always less owing to the very much lower limit of his credit.

2064. Interest on small loans usually higher than on big sums.—Ordinarily, also the rate of interest charged on substantial sums is lower than that charged upon petty advances. The higher rate of interest charged on petty advances is mainly due to the fact that the expenses of maintaining accounts and of recovery are relatively greater in the case of petty loans having regard to the amount of loan involved.

2065. In our intensive enquiries we have often found cases where the same person has borrowed sums of money from different sowkars at different rates of interest.

2066. The difference in the rate of interest is largely due to the time when the individual advance was taken. For instance, a sowkar may advance a certain sum to a cultivator who has no other debt at a fairly low rate. The cultivator may then go to some other sowkar for a further advance. He will naturally be required to pay a higher rate of interest owing to the reduction in his credit arising from the prior loan.

2067. **The law of supply and demand also affects the rate of interest.**—Sowkars also usually charge higher rates of interest at certain seasons of the year, and cases have been brought to our notice when cultivators have to pay higher rates of interest for loans required at certain critical stages in agricultural operations, *e.g.*, for weeding or transplantation, etc. In these cases when the borrowers cannot afford to wait, the sowkar naturally finds himself able to charge a higher rate of interest, and as the money-lender's object is profit and not philanthropy, he naturally charges the highest rate of interest which he can get.

2068. Some persons have made this a basis for accusing the indigenous money-lender of rapacity and extortion. But after all in every business the main object is to obtain the best price possible, and the sowkar cannot be blamed if he demands the highest rate of interest which he finds he can get.

2069. Everywhere in the world a person who is in urgent need is likely to have to pay a higher price for the article which he requires. This is a result of the ordinary law of supply and demand, and according to this law the bank rate also varies from time to time.

2070. **The rate of interest is not affected by the purpose of the loan.**—It is important to note that the money-lender does not, as a rule, make any distinction between loans for protective or unproductive purposes in fixing the rate of interest.

2071. **Penal interest.**—There is nearly always a stipulation, that in case of default in repayment on the fixed date, a higher or penal rate of interest will be charged. We have explained elsewhere that defaults are common, and are often not discouraged, so that the penal rate often becomes the real rate of interest to be paid.

2072. **Other charges.**—In addition certain deductions are often made from the amount of loan advanced. The borrower has to pay certain writing charges. Numerous witnesses have stated before us that the borrower has often to pay a certain percentage to the money-lender's munim or agent before he can obtain a loan, specially if the borrower's credit is not very good.

2073. In cases of instalment bonds the first instalment is not infrequently deducted in the beginning.

2074. In the case of mortgages it has been reported that the borrower has often to pay some other illegal incidental charges in addition to the prescribed registration fees.

2075. Many witnesses have also alleged that dishonest money-lenders and dishonest agents of money-lenders often do not give credit in the accounts in full for the repayments made, while the practice of not granting receipts for intermediate repayments is very common in all parts of the province, as is explained in our notes on the intensive village enquiries.

2076. The actual rate of interest paid is under these circumstances therefore often considerably higher than the rate ostensibly agreed upon.

2077. In grain loans, as has been explained elsewhere, the borrower has often to pay two pailis per khandi or about 1½ per cent as measuring charges both at the time of borrowing and at the time of payment; while he is also required to pay certain remunerations to the money-lender's servants, etc., as is explained above.

2078. On the other hand, there are undoubtedly many money-lenders who enjoy a high reputation for honesty and fair dealing among their rural clientele. We were surprised that on the whole villagers themselves have fewer complaints to make against their financiers than might be expected after hearing the opinions expressed by the witnesses from urban areas who came before us.

III

Prejudice against money-lenders.

2079. **Prejudice against the money-lender.**—It is after all impossible to obtain a correct idea of rural conditions without studying them on the spot. The majority of rural dwellers who come to the headquarters town are litigants, of whom many are debtors being sued for recovery. Among this class will be included most of the defaulters and dishonest debtors, and as a whole they cannot be said to be at all typical of the ordinary dwellers in rural areas. These persons undoubtedly create an incorrect impression in many quarters with regard to the general financial relations which exist between the cultivator and his sowkar, and the general character of the rural money-lenders as a class. We found an almost universal impression in urban areas, particularly among the intelligentsia, that the cultivating classes as a whole were hopelessly indebted, and were habitually defrauded and robbed by hoards of unscrupulous and dishonest money-lenders.

2080. In many of the written replies to our questionnaire stress has been laid by witnesses on the rapacity and dishonesty of the village money-lender. Some money-lenders are undoubtedly dishonest and rapacious, and a certain number of cases of sharp practice and exortation which come before the courts are clear evidence of this fact.

2081. But as a well-known financial expert has stated, it is common trait of human nature to feel resentment when the time comes for the repayment of money, even when we have

obtained the greatest advantages from the use of it. Hartley Withers gives an amusing description of how although a number of farmers of the United States of America were financed with the greatest benefit to themselves in the work of bringing new land under cultivation by loans from British financiers, the benefits which had been obtained from the use of this money were quite lost sight of when the time for repayment arrived. The resentment which arose over repayment cause some temporary estrangement between the two countries.

There is a well-known saying in Hindi "Rupaya lete wakt bap, dete wakt samp"; which means "When the client comes to borrow money he calls the money-lender father (bap), but when he has to repay he calls the money-lender snake (samp)".

2082. **Tuchpunjyas.**—We have in Chapter II alluded to the Rohillas or Kabulis and other petty itinerant money-lenders, who charge exorbitant rates of interest and show high-handedness in making recoveries. These persons, however, are usually only resorted to by those, whose credit is so poor as to make it impossible for them to obtain advances of money or of commodities elsewhere.

2083. We do not, however, consider that any purpose would be served by giving a detailed description of all the different classes of money-lenders, because there is no inherent difference in their methods of business. At the top we find the big money-lender or so-called indigenous banker with a well established business and reputation, who will ordinarily only lend money upon good security and to persons of good credit. At the other extreme we have the Rohillas or Kabulis who will lend money to anybody who is willing to pay exorbitant rates of interest.

2084. With a few exceptions credit facilities exist for all classes, and the higher the personal credit of the individual borrower the better terms will he obtain. The man of good credit will be able to obtain advances from a money-lender of the first class. Those whose moral and material credit is lower, will have to pay higher rates of interest, and may be compelled to resort to financiers who are less scrupulous in their methods, and whose money-lending business pertains more largely of a gamble; while those persons to whom no ordinary money-lender will take the risk of making an advance, *e.g.*, the landless artisan and other such persons, and those who are known to be unreliable, will not be able to obtain advances from anybody but the Rohillas or Kabulis.

2085. Outside the most backward and undeveloped tracts the village cultivator is rapidly becoming well able to protect his own interests, and he will naturally endeavour to obtain loans on the best terms possible, and will not ordinarily deal with a money-lender who is known to be rapacious or unscrupulous in his methods, if his own credit is such as to induce a more respectable firm to make advances to him.

2086. Probably not 5 per cent and possible not 1 per cent of the total loan transactions are ever brought before the courts at all, and a large majority of the cultivators regularly borrow

and repay loans, and in the process, receive treatment from their financiers which is usually equitable and which sometimes seems over lenient. From these persons we hear very little. We hear only the minority who complain; and their complaints are not always genuine.

2087. We feel it most necessary to stress this point, upon which we are agreed at the conclusion of our enquiries, as a set off against those easy generalizations (which are after all based upon insufficient premises), in which the village money-lender is described as an unscrupulous Shylock and the curse of the country side.

IV

Establishment.

2088. Establishment.—The establishment that a money-lender has to keep depends on the volume of his business. A small village money-lender will have no paid employee under him. He will look after the whole of his business with the help, perhaps, of the members of his family. But bigger money-lenders in urban centres, who directly finance cultivators of a number of villages round about, and who also finance small village money-lenders, have often an establishment as big as that of the branch shop of an indigenous banker. There will be a munim, a rokadya, a gomashta, a tagadedar and one or two peons.

V

Licensing.

2089. Licensing.—From the earliest times the money-lender has been the object of attack for the reasons already explained. The fact that the recovery of loans sometimes causes hardship and may sometimes cause ruin to the debtor, often obscures through a false sentimentality the fact that the financier performs an essential service, and is not necessarily to blame, if the borrower ruins himself by incurring debts.

2090. In early Hindu society the financier was much respected, as is seen from the very origin of the title ordinarily applied to him, *i.e.*, the mahajan, which mean a "great man". Seth comes from the Sanskrit word "Sreshta", "the best".

2091. From time immemorial the village sowkar has been performing an essential function in rural economy, and is still continuing to do so. The labourer is worthy of his hire, and the money-lender is obviously entitled to a fair remuneration in the form of interest for the use of his money.

2092. The relatively high rates of interest which prevail in rural finance are said to be justified on the ground of (1) the risks arising from the poor credit of the borrower, (2) the expenses of the law and delays of litigation, and (3) the losses arising from bad debts.

2093. The protagonist of the money-lender argues that the net profits resulting from the profession are relatively small. Taken as a whole there is much truth in this argument. But on the other hand it is equally true that the profits of agriculture, industry and trade are not such as to make it usually possible for them to pay a very high rate of interest; and although it may

be true that money-lenders have numerous bad debts, the interest charges upon those borrowers, who do meet their obligations, must absorb an undue proportion of their profits.

2094. We have noted elsewhere that one of the main defects of the system of indigenous finance is the readiness of a large body of money-lenders to advance money to persons with no real credit.

2095. We have stressed elsewhere the need for improving the credit of the tenants of the Central Provinces by creating facilities for the acquisition of rights of transfer wherever possible. There can be no doubt that as soon as these rights have been granted one of the main justifications for high rates of interest will have been removed.

2096. We have also made certain suggestions for a reduction in the law's delays and for reducing difficulties in the execution of decrees.

2097. But as long as the indigenous money-lender continues to lend money to persons to whom no sound business man would make advances at all, the all-round profits of his business must continue to be uncertain. Until he eliminates risky transactions, the general rate of interest is likely to keep high.

2098. Much in this respect could be done by education, but the gambling instinct of certain members of the community is likely always to remain strong: and it has therefore been suggested to us that the only real remedy is to fix by law a maximum rate of interest.

2099. It has been argued that if interest above a certain rate be prohibited by law, the money-lender will find the more risky transactions unremunerative, and that when he finds that he cannot charge more than a certain rate of interest, he will confine his business to those operations which are less risky.

2100. Although, as we have already pointed out, we have no reason to believe that the majority of money-lenders are less honest than the members of other professions, we have also made it clear that there undoubtedly do exist a certain number of dishonest, unscrupulous and high-handed money-lenders.

2101. It appears, therefore, that it will be in the interests of the community at large if measures can be introduced which will curb the activities of the rapacious and unscrupulous, but which will at the same time not cause hardship or create difficulties for those who are carrying on their business in an honourable and straight-forward manner.

2102. The complaints made against money-lenders are as follows:—

(1) The rate of interest is too high.
(2) Sometimes a smaller sum is actually advanced than the amount of loan entered in the bond.
(3) Payments by debtors are not entered in full in the account books, and are sometimes not entered at all.
(4) Receipts are not given.
(5) Whole pages in account books are often changed so as to include fraudulent claims against debtors.

We have already explained that a needy borrower cannot always choose his sowkar, and can only obtain advances from those persons who are willing to make them.

2103. Thus the dishonest and unscrupulous money-lenders cannot be automatically eliminated, unless the credit of all those who have need to borrow is sufficiently good to make it possible for them to obtain advances from respectable firms.

2104. Need for licensing the money-lender.—We have, therefore, after the most careful consideration of this important question, come to the conclusion that it is necessary to regulate the profession of money-lending in the same manner as the profession of advocacy, of practising as a petition writer, etc., etc., are regulated, *i.e.*, by licence.

2105. The problem is difficult. Money-lenders for the purpose of the licence must include all those who take interest in the form of money or in kind. Thus the grain-lending malguzar, and the itinerant money-lenders and traders from the north, who are to be found outside mills, factories, municipal offices, etc., on pay day with big sticks must all come within this category.

2106. In case the courts find that interest is concealed in a higher credit price by certain traders, these persons must also be included.

2107. Fixation of the maximum rate of interest.—The question of the high rate of interest is the most difficult to tackle. Some witnesses have suggested the fixation of a maximum rate of interest. But this is easily evaded by taking a bond for a larger sum. Thus, while the maximum rate may be effective in the case of good money-lenders, it may be evaded by the bad ones. Still the fixation of a maximum rate of interest will none the less tend to keep down the rate of interest in the country. One advantage of such fixation of a maximum will be that only people with decent credit will get loans. This will undoubtedly be economically beneficial to the country. We therefore are inclined to recommend that a maximum rate of interest be made a condition of the licence, but we realize that there are many difficulties and objections to the proposal and would prefer to leave this question to the final decision of the Central Committee.

2108. Extension of the rule of Damdupat to other parts of the province not profitable.—Some witnesses have urged that the rule of Damdupat, which is applicable in the case of Hindus in Berar, should be made universally applicable throughout the province. But this rule has been of doubtful benefit to borrowers in Berar.

2109. A money-lender is careful to institute a case or to get the debt renewed by a fresh bond before the debt is doubled. It has not tended to keep down the rate of interest. It has only led to documents and bonds being renewed and to law suits being instituted more frequently.

2110. We have explained our proposals for licensing in greater detail in Chapter XII and further discussion is not required here.

PART VI.

CHAPTER XV.—MISCELLANEOUS.

2111. Banking Law is a technical subject, in the consideration of which we should have valued very greatly any assistance which might have been offered us by the employees of the Imperial Bank or the Allahabad Bank. Unfortunately, however, no such assistance was given. We have, therefore, been compelled to base our recommendations on our own enquiries, and on certain suggestions which we had received from the members of the business community.

I

REGULATION.

2112. Restrictions on the use of term "bank".—The term "Bank" has acquired a considerable prestige in the eyes of the public, and is generally considered to imply a large measure of financial stability and security. In the absence of any legislation restricting the use of the term, it is possible for individuals, partnerships and small joint stock companies to obtain a greater prestige in the eyes of the public, than their financial position merits, by styling themselves a bank. This is, in our opinion, highly undesirable. It is universally admitted that one of the most urgent economic needs of India of the moment is the development of sound banking and the banking habit, including the habit of thrift and investment.

2113. Public confidence is essential for the development of the investment and banking habit, and there is no doubt that public confidence in banks in general has been greatly shaken by bank failures in recent years. Throughout our enquiries people have told us that it is not safe to invest their money with banks, because no one could tell when a bank may become insolvent. It appears, therefore, to us to be essential, in order to increase and maintain public confidence, that no institution should be allowed by law to style itself a bank unless it satisfies certain conditions. We recommend that only such institutions should be allowed to style themelves banks—

(i) as confine their business to banking and do not do any other kind of business; and

(ii) who have a certain minimum amount of paid-up capital.

The Registrar should refuse to register a company as a bank, if its memorandum or articles of association do not show clearly that its business is solely confined to banking.

2114. It does not appear to us necessary to go into greater details. If the need for restrictions in the use of the term "bank" be admitted, the details of the nature of the restrictions required can be worked out by experienced bankers.

2115. Banking Law.—In this country, apart from the actual act of constitution of the Imperial Bank of India and the laws

relating to co-operative banks, and the banker's book of evidence, there is hardly any separate banking law, the joint stock banks being governed by the Indian Companies Act.

2116. It is a truism that sound banking is a matter of good bankers rather than of good banking law.

2117. Need for sound banking education.—The banking system and banking tradition of Great Britain have been built up on experience, and this experience has in some cases been dearly bought. In the past history of English Banking, mistakes and failures have not been uncommon. There is no reason why India should not profit from the experience of Great Britain.

2118. Much can no doubt be done by sound banking education. This point is discussed elsewhere. In the meanwhile it appears to be necessary for the purposes of developing a sound banking system, that our Indian bankers should follow the rules and practices that experience has shown to be necessary in other countries for sound and successful banking.

2119. Need for legislation to protect general public.—We are, therefore, of the opinion that in the present stage of development of Indian banking at least, there should be adequate legislation to protect the general public, and to save the banks from mistakes.

2120. Provisions necessary—Adequate Reserves—Publication of accounts—Periodical Government inspection—Restrictions on investment—Transfer of proportions of profits to reserve—Penalties for those spreading rumours regarding stability of banks.—We are of the opinion that Banking Law should provide for the following :—

(i) A minimum proportion of cash reserves to meet "on demand" liabilities of a bank;

We realize that the ideal proportion of reserve will vary with individual banks, according to the nature of their clients, their business and the bank's credit, etc. But none the less, it appears necessary to prescribe a minimum, although no doubt good bankers may often maintain a cash reserve in excess. Experience shows that some such legislation is necessary to control the natural temptation to make the profit earning invested funds as large as possible, and the non-profit-earning cash reserve as small as possible.

2121. (ii) Publication of the bank's accounts.

Publicity is not merely a precaution against unsound bankng, but it is helpful to the banks as it secures public confidence. The published accounts should be in a form that the public can understand. This requirement is not fulfilled by all the bank accounts published in this and in other countries. All joint stock banks should publish their accounts at least twice a year.

2122. At present, according to the Indian Companies Act (VII of 1913), like all companies a joint stock bank must, at least once in every year, cause its accounts to be balanced and a balance sheet prepared and sent to every member of the company (section 131).

2123. The balance sheet must be signed by the manager of the bank, if any, and by at least three directors, if there are more than three directors, or by all the directors if there are not more than three [section 133 (i)]. The balance sheet must be in the prescribed Form F, Schedule II [section 132 (2)]. The balance sheet must distinguish on its assets side between—

(*a*) debts considered good and in respect of which the bank is fully secured, and

(*b*) those considered good for which the bank holds no security other than the debtor's personal security, and

(*c*) debts considered doubtful or bad.

Debts due by directors or other officers of the company or any of them either severally or jointly with any other person are to be separately stated in all cases.

2124. These provisions, if honestly carried out, would make the balance sheet yield a great deal of information to the public (Form F, Schedule III).

2125. In addition to the annual balance sheet, every banking company must make two half-yearly statements showing the assets and liabilities on the 31st of December and 30th of June [section 136 (i)] in the prescribed Form G, Schedule III.

We feel that the form may, with advantage, be altered to make the statements more easily understood by the public. Some more information about the nature of the assets specially under the heads "Bills of exchange, hundis and promissory notes" and "Other securities" should be given to enable the public to form an opinion on the character of the assets.

(iii) Periodical inspection of joint stock banks by Government Inspectors.

At present, the Local Government is empowered to appoint one or more competent Inspectors to investigate the affairs of any banking company having share capital, on the application of members holding not less than one-fifth of the shares issued [Indian Companies Act, VII of 1913, section 38 (i)]. Such action, however, can only be taken when a large number of shareholders suspect that all is not well with the management of the bank, and the appointment of an Inspector for special investigation of this kind might often shake public confidence and do more harm than good.

2126. It appears to us that, as has been done in some other countries, whole-time Government Bank Inspectors should be maintained to check unsound banking practice, bad investments and other abuses, and that these Inspectors should inspect the books of all joint stock banks from time to time. The inspections, however, should be without notice so as to prevent the banks making special preparations for them.

2127. It appears to us that inspections of this kind can only do good, and will greatly increase public confidence in all those banks which are found by the Inspectors to be in a satisfactorily

condition. If Government are unwilling to undertake this responsibility, we recommend that the appointment of Auditors should be made by Government and not by the directors or shareholders.

2128. (iv) Restrictions on investment—

(*a*) The banks should be prohibited from advancing loans to their directors and superior employees or to another concern in which they are interested.

(*b*) A bank should be prohibited from advancing loans to anybody on the security of its own shares.

(*c*) A limit should be fixed of the amount which may be advanced to any single individual or to any single concern. The limit may be both absolute and also a proportion of the bank's capital, whichever is less. This is, after all, only a legal enforcement of the well-known business dictum that it is unwise to have all one's eggs in one basket. For stability and security of business the risk must be distributed.

(*d*) There should be some restriction on investment in real estates and on loans against the security of such estates, so as to ensure that the bank holds a reasonable amount of liquid assets.

2129. (v) A certain proportion of the profits must always be transferred to the Reserve Fund.

The distribution of the whole of the profits as dividend without a transfer to the reserve fund should be made illegal, until the reserve fund reaches a certain sum.

2130. (vi) We would also recommend that special penalties be provided for persons who spread false rumours with regard to the financial stability of a bank or impeach its credit without due reason.

Defamation of this kind may in some cases lead to a run upon a bank, and this is a much more serious matter than the ordinary form of defamation for which the maximum punishment at present is two years' simple imprisonment. We recommend that an offence of this kind be made punishable with a long period of rigorous imprisonment or transportation, as the public injury caused by it may often be enormous.

2131. Use of vernaculars.—A very common grievance with the public nowadays is that the modern banks cater only for the English-knowing public. It is alleged, and we feel that there is a good deal of truth in this allegation, that if paying-in-slips, pass books and deposit receipts are printed both in English and in the vernacular, modern banking methods will be understood, appreciated and taken advantage of by a much wider public, increasing the bank's business and facilitating the early development of the banking habit.

2132. We also recommend that advertisements and publications of accounts should appear in the vernacular as well as in English.

II

EDUCATION.

2133. Banking and commercial education.—We have explained, elsewehere in this report, that no facilities for education in modern banking methods at present exist in this province. The indigenous money-lender carries on the old fashioned methods of business, which he has learnt in his father's shop. A bank manager, who appeared before us, expressed the opinion that an institution for giving training in banking should be opened, if not at every district headquarters, at least at the capital of the province.

2134. Need for introduction of banking education in school and University curricula.—We invite attention to the evidence of Mr. Macnee, late officiating Director of Public Instruction, on this question. It appears to us that much good might be done, if commerce and elementary banking be made an optional subject in the Vernacular and Anglo-Vernacular Middle Schools. Mr. Macnee deposed before us that commerce has already been made an optional subject in the High School course; but that, as no instructors had yet been appointed, this provision had remained a dead letter.

2135. A number of witnesses who have appeared before us tated that the sons of bankers and sowkars and other members of the money-lending profession would obtain great advantage from the introduction of modern banking and commerce as an additional subject in the Middle and High School classes. There should certainly also be some arrangement by which students could continue their studies in banking beyond the Hign School course.

2136. Lack of trained bank staff.—One of the principal complaints which we have received from the co-operative credit workers is that trained men are not available for employment on the staff. Unemployment among the Matriculate and Undergraduate classes has already become a serious economic problem and it should be our aim to encourage our young men to take up some course of study which will fit them for a business career. The absence of a supply of persons trained in the science of modern banking is of itself one of the main obstacles to the rapid development of banking business in this province upon modern lines.

2137. Our aim should be—

(*a*) to train the sons of the ordinary money-lender in more up to date methods of business.

This should be done in the Middle and High School classes;

(*b*) to produce an adequate supply of trained bankers for employment on the staff of the co-operative movement, and in the bigger institutions, and for the reorganization of the business of indigenous bankers and indigenous banks upon modern lines.

This should be done by the provision of a University course in the subject.

2138. We have not attempted to work out the scheme in detail; but it appears to be obvious that we cannot expect our indigenous bankers and money-lenders to change their age-long system of business unless we provide some facilities for educating the rising generation in more modern methods.

III

Economic Development Boards.

2139. We have stressed elsewhere the urgent need for an intensive campaign for the development and economic advancement of the country.

2140. Sporadic attempts from time to time have recently been made in the sphere of rural uplift and rural reconstruction. In the course of our village surveys, we made a point of visiting some villages in the Hoshangabad district, where an attempt at rural uplift had been inaugurated. We have also studied various literature including allusions to the subject of rural uplift in recent Government resolutions.

2141. In the past, Government largely followed a policy of *laissez-faire* in economic questions. We feel, however, that the economic question is now the most important of all questions touching the future of India. It is not our intention to make any adverse criticism with regard to the policy of Government in the past. It is only within very recent years that the need for Rural Development or even the need for a land mortgage bank has been realized or met in Great Britain itself. But we feel that the time has now come when the policy recently adopted elsewhere should be extended to this country.

2142. Much can be done under the reform scheme of Government to secure co-operation between the beneficent departments through the joint responsibility of Ministers.

2143. It appears to us, however, that there is an urgent need for some whole-time department to secure, under the guidance and control of the Ministry, a co-operation and concentration of effort among various departments for the economic development of the country.

2144. Need for rural reconstruction.—Our Chairman has been kind enough to place before us the outlines of a scheme, which he is working out in detail, for the reconstruction of rural areas. The need for such rural reconstruction has been fully recognized by the Royal Commission on Agriculture. They have stated as follows in Chapter 21 of the main report:—

> "We have been directed to examine and report on the present conditions of agriculture and rural economy in British India, and to make recommendations for the improvement of agriculture and the promotion of the welfare and prosperity of the rural population.
>
> "The aim of the suggestions and recommendations we have made in the preceding chapters, has been to bring about greater efficiency throughout the whole field of agricultural production, and to render the business of farming more profitable to the cultivator. Throughout our report we have

endeavoured to make plain our conviction that no substantial improvement in agriculture can be effected, unless the cultivator has the will to achieve a better standard of living, and the capacity in terms of mental equipment and of physical health to take advantage of the opportunities which science, wise laws, and good administration may place at his disposal. Of all the factors making for prosperous agriculture, by far the most important is the outlook of the peasant himself.

"This, in the main, is determined by his environment and it follows, therefore, that the success of all measures designed for the advancement of agriculture must depend upon the creation of conditions favourable to progress. If this conclusion is accepted, the improvement of village life in all directions assumes at once a new importance as the first and essential step in a comprehensive policy designed to promote the prosperity of the whole population and to enhance the national income at the source. The demand for a better life can, in our opinion, be stimulated only by a deliberate and concerted effort to improve the general conditions of the country side, and we have no hesitation in affirming that the responsibility for initiating the steps required to effect this improvement rests with Government.

"The realization of this important truth has led, in recent years, to a large increase in expenditure on the departments concerned with rural welfare. None the less, we feel that its force is not adequately appreciated by the Government of India and by Local Government, and that the necessity that the rural problem should be attacked as a whole, and at all points simultaneously, is still insufficiently present in their minds.

"We cannot but think that the failure to grasp the full significance of the proposition we have laid down, in some measure explains the absence of any co-ordinated attempts to effect that change in the surroundings and in the psychology of the peasant, without which there can be no hope of substantially raising his standard of living.

"If the inertia of centuries is to be overcome, it is essential that all the sources at the disposal of the State should be brought to bear on the problem of rural uplift. What is required is an organized and sustained effort by all those departments whose activities touch the lives and the surrounding of the rural population.

"It is, no doubt, the recognition of the need for co-ordination that has given rise in many quarters to the view that lasting progress is unlikely to be achieved unless, in all provinces, the activities of the various departments concerned are co-ordinated by Development Boards, Advisory Committees, or officers charged with the specific duty of securing combined action towards a given end."

2145. The gulf between rural areas and the town.—The concentration of educated public opinion on the urgent need for the development of rural areas is a very welcome

sign; but in India as elsewhere, as we have endeavoured to explain in other parts of this report, the gulf between the town and the country is very wide.

2146. The rustic.—The rustic in all countries has provided, throughout the ages, a target for the sharpened witticisms of the keener and more highly trained intellect of urban areas. But it seems strange that in a country so eminently agricultural as India, the term "Gonwar", which after all means literally only a dweller in a village, is always used in a contemptuous sense and with a significance considerably more contemptuous than the word "rustic". The attribute of "Gonwaripan" in fact can fairly be described as having an even more opprobrious meaning than the French word "Bêtise".

2147. There is, therefore, always a danger that educated opinion upon the circumstances and immediate requirements of rural life in India may be at times obscured by the application of urban, if not of western, standards of judgment.

2148. Long distances and relatively poor communications have stood in the way of close intercourse between the interior and the town. As we have explained elsewhere, with the exception of those addicted to litigation, who form after all an insignificant percentage, the villagers outside the immediate environments of a city live their own quiet lives, cut off in a greater or lesser degree according to the nature of communications from urban influences.

2149. Babu Saheb.—When the villager visits a town, he often finds himself out of his element in many respects, almost a fish out of water. He is not at his best. He will often seem stupid, and slow, a butt for the witticisms of the town-bred—in fact a Gonwar. But in his own surroundings in the village he presents himself to the sympathetic student of character in a different aspect. In the village, on the other hand, the town-bred "Babu Saheb", as the villagers call him, with his urban dress and urban manners, is often himself a subject for quiet amusement.

2150. The agriculturist, all over the world, is notoriously conservative, and nowhere is this phenomenon more marked than in India with her age-long traditions, caste rules and uncertain rainfall.

2151. The world's greatest fatalist.—We have stressed throughout this report, that the factor dominating rural life in India is the great uncertainty of agriculture. A farmer may go through the same processes from year to year involving the same expenditure of effort and money: but the return for his labours usually depends almost entirely on the variations of the monsoon. One year the crop may not repay the costs of cultivation, and he will probably have to beg, or to borrow, if not to steal, and in any case, will have to live in straightened circumstances until the next harvest. Or again, the monsoon may be favourable, and the harvest bounteous. His happiness throughout the year depends then on the rainfall at a particular time. Experience has shown him that in some years with the minimum of

expenditure on cultivation, a good crop is received, while in another year, heavy expenditure according to the most improved methods of agriculture may result only in crop failure. This insecurity, this apparently complete dependence upon the caprice of a Providence unduly capricious, has made the Indian cultivator the world's great fatalist. He finds himself at the mercy of apparently blind forces. He is superstitious to the core; and with that superstition, has grown up a suspicion of change.

2152. The feeling that chance determines whether the crop will be good or bad, or whether he is going to live in plenty or in penury throughout the year, makes him doubtful with regard to the utility of innovations. Go anywhere in India to a village off the beaten track and you will almost invariably receive the same reply when you suggest some improvement:—"Hamara bap dadon ne nahin dekha. Is se kya faida ho sakta" which means "Our fathers and grandfathers never saw anything of the kind. What possible good can it do?"; and which is by implication, the strongest reason why the present generation should have nothing to do with the proposal.

2153. The Royal Commission on Agriculture, in the concluding portion of its report, stressed, as we have noted, the urgent need for rural uplift.

2154. Elsewhere it has analysed the past achievements and future needs of those departments whose activities are mainly concerned with the advancement of rural areas.

2155. It found, as regards education, that for India as a whole, the percentage of literate persons had increased during the last 30 years from 12 per cent to 16 per cent, the increase being largely in Burma and in urban areas. The percentage of literate persons in the rural areas of the Central Provinces is far lower. Yet ignorance and illiteracy are the principal obstacles to economic progress in the country side.

2156. It recorded that the staff of the Veterinary Department will not be able to cope with its duties until it is at least quadrupled, while it was of the opinion that the activities of the Agricultural Department do not at present touch more than a fractional part of the rural population.

2157. Causes of slow progress in the past—(*a*) Conservatism of the villager.—This relative slightness of achievement, as compared with the magnitude and duration of effort, is attributed mainly by the Royal Commission to the natural conservatism of the Indian agriculturist. The Indian cultivator is no seeker after new things. But none the less he readily accepts the *fait accompli*. Though he is naturally suspicious of innovations, he judges by results. Show him by actual results how to increase his prosperity or how to reduce his expenditure, and you will have achieved far more than a thousand lantern slides and lectures, pamphlets and propaganda.

2158. (b) Dissipation of energy.—At the conclusion of their recommendations, the Royal Commission stated that they had not attempted to estimate the cost involved in implementing their proposals; but trusted that the Provincial Government would proceed to introduce them as funds permitted. A detailed study of the Report will show the implication. The immediate adoption of all those recommendations would necessitate recurring expenditure far beyond the present resources of most provincial exchequers. The fact is that our resources have always been inadequate for a simultaneous advance on all fronts. Our energies have been too diffused and have lacked co-ordination.

2159. The experience gained in Gurgaon in the Punjab serves as a valuable lesson of the dangers of dissipation of effort. Had the same amount of energy and of funds been concentrated on a smaller area, results far some substantial and far more permanent might have been achieved.

2160. Need for intensive action.—The need for intensive action is not now generally disputed. We have to break through the forces of conservatism, and we have to teach by results.

2161. But the problem of rural reconstruction is, as we have endeavoured to make plain in the course of this report, mainly an economic problem.

2162. The first subject with which we have to deal is the present system of rural finances.

2163. Although the Agricultural Department has been in operation for a number of years and has undoubtedly carried out some valuable research work, we do not think it has ever been contended that the all round crop outturns have materially increased during recent years.

2164. The Veterinary Department have also undoubtedly been active in most parts of the province, but it was admitted by the Deputy Superintendent of the Veterinary Department of Chhattisgarh Division, where cattle mortality is the principal cause of whatever agricultural indebtedness exists, that the cattle mortality is no less than it was before.

2165. But even assuming that some slight increase in the all round outturn of the crops could be secured in the early future, and that cattle mortality could be reduced, the financial position of the individual agriculturist cannot be materially improved, so long as a very large portion of his surplus is swallowed up in interest charges, and he does not acquire the habit of investment. We have explained elsewhere the urgent need for improved investment facilities and for carrying out intensive thrift propaganda in the province.

2166. ~~But even assuming that some slight increase in the~~ We emphasise that an attempt ought to improve the arrangements in rural areas should be in the forefront of any campaign of rural reconstruction, and it seems to us clear that some special agency should be created for the purpose.

2167. Need for co-ordination of effort.—We assume that in the early future, a solution of the present political problems will be found, and that the Government will become day by day in an increasing degree a Government by the people for the people.

2168. Our proposals are, therefore, based on an assumption of a complete co-ordination of effort between the Government officials and the people.

There remains, however, the problem of securing a completer co-ordination between the various departments of Government itself.

2169. Economic Development Boards in every district.—We suggest that in every district an Economic Development Board be created, including in its membership the head of the district, the Chairmen of the various local bodies and other elected representatives, together with the principal officers of the various beneficent departments in the district. In the larger districts an executive assistant should be entrusted with the work of Development Officer and might well be the Joint Secretary of the District Economic Development Board. In the smaller districts the Deputy Commissioner would find time to attend to these duties personally.

2170. Provincial Economic Development Board.—We suggest that these Boards be empowered to elect representatives to a Divisional Development Board under the presidency of the Commissioner of the Division. These Boards should elect two or three representatives to serve on the Provincial Economic Development Board which should include in its members the heads of the various beneficent departments and the Ministers, under the presidency of the Chief Minister or the Home Member of the Governor's Executive Council if this office continues to exist. It should also have a permanent staff for implementing its proposals and carrying out its policy.

2171. Powers and duties of Chief Executive Officer of the Provincial Development Board.—The Chief Executive Officer of the Board should be some experienced official with powers similar to that of the Municipal Commissioner of the Bombay Municipality. This officer might also be the Secretary to Government in the development department. It would then be the duty of the Provincial Economic Development Board to lay down a definite policy for the economic development of the province. We stress the need for a permanent executive officer of the Board, in order to secure a continuity of effort, the development board being mainly a deliberative body. The Central Board would consider the proposals from the various District Development Boards, bring them into line, and implement them as far as possible.

2172. Central Development Board.—The Central Board would also be responsible for the general policy to be followed, would maintain a Publicity Bureau or Public Intelligence Department as explained in Chapter VII, paragraph 1068, and would allot funds as available for various schemes, subject to the approval of the Legislative Council, and would generally co-ordinate the

work of the Divisional and District Boards. One of the principal duties would be the organization of a thrift campaign. It would also endeavour to co-ordinate the efforts of the co-operative credit movement, the Agricultural, Veterinary and Education Departments in a concentrated campaign.

2173. In the short time at our disposal, we have endeavoured to make what must be after all only a rough economic survey of the province. One of the first duties of the Development Board will be to make a more detailed survey of all parts of the province, through the agency of the District Development Boards. The Board also would perform the duties of a Bureau of Economics. But its activities would not be confined to research. It would proceed to formulate a definite policy of economic development and implement that policy as far as possible.

IV

RURAL RECONSTRUCTION: SCHEME OUTLINED.

2174. (*a*) Concentration on selected villages at convenient distances.—We agree with the views of our Chairman that to secure the best results from whatever expenditure of effort and funds may be possible, it is desirable to concentrate our uplift campaign in the first instance on individual villages situated at convenient distances from one another. The average tahsil of the province, excluding the areas of forest, does not exceed some 700 square miles in area, and it is obvious that, if villages at roughly 5 to 6 miles distance from each other were selected, it would only be necessary to concentrate on some 20 to 25 villages in each tahsil in order to bring the whole country side within a radius of 2 or 3 miles of one of these villages.

2175. Our aim must be, as we have previously explained, to break through rural conservatism and to teach by results, and the results achieved in any selected village would fully serve their educative purpose within a radius of 3 or 4 miles, particularly if the bazar villages which we have described in detail in Chapter II are selected for the purpose.

2176. (*b*) Village Panchayats.—We would urge that the first and essential proceeding in a campaign of this kind is the formation of a village panchayat, through which and with which to operate in the work of rural reconstruction.

2177. Although it is possible to lead, it is useless to attempt to drive in a campaign of this kind, and although experience has shown that an individual officer of marked energy and personality may be able to achieve much through his own efforts, very little of this work is likely to remain after his personal influence has been removed or to have any permanent results, unless this work has been done with and through the people themselves.

2178. In the Central Provinces, although certain amendments are required in the Village Panchayat Act (which was after all the first of its kind and was in some respects a rather empirical

measure), in order to enable it to meet its full requirements, this Act can serve as an adequate instrument for the establishment of village panchayats.

2179. Our aim should then be in our opinion to concentrate on these selected villages, and we feel that, as the Royal Commission on Agriculture has recorded that up to now the activities of the Agricultural Department touch only a fractional portion of the dwellers of rural areas and that the staff of the Veterinary Department is at present inadequate for performing its duties throughout the whole area under its control, the rural population outside the villages selected for reconstruction will have no legitimate cause for complaint, if the activities of these departments are, for the present, confined solely to the selected villages.

2180. The Agricultural Department will at once proceed to make an agricultural survey of the village and point out any improvements possible in the existing system of cropping of the village and secure their introduction by actual demonstration. It should also introduce improved seed and implements and fertilizers, etc., where necessary, through the agency of a co-operative sale and supply society organized through the help of the co-operative credit workers.

2181. The Veterinary Department at the same time should concentrate on stamping out cattle epidemics in these villages and on improving the breed of cattle by the castration of immature bulls and the provision of selected stud bulls with the help of the Agriculture Department.

2182. The Public Health Department should also play a prominent part in this co-ordinated campaign, and in the selected villages we should also concentrate upon education and introduce compulsory education, if necessary. The school curricula would also be revised on the lines suggested by Messrs. Staley and Macnee.

2183. **Model village.**—Our sole aim throughout should be to create through the co-ordinated assistance of all available agencies, both official and non-official, model villages as an example to the country side. The beneficent influence of these model villages will rapidly extend to their environs and in due course, the adjoining villages may be included in the panchayat circle.

2184. **Amendment of Village Panchayat Act, necessary.**—For this purpose an amendment of the Village Panchayat Act will be necessary. As it stands at present although a a number of villages may be included in a panchayat circle when first constituted, the elected panchas are required to hold office for three years, and no provision exists for adding new villages to the circle during that period, or for increasing the number of panchas by including representatives from a neighbouring village.

2185. We have ventured to sketch briefly some branches of activity which may at first seem outside the sphere of our enquiry, because it is certain that no campaign of rural uplift can be successful which does not deal with all aspects of rural life. But no scheme of rural reconstruction will confer any permanent benefits upon the countryside which does not concentrate upon the improvement of the existing system of rural finance.

2186. Model Co-operative Societies.—In an intensive campaign of this nature when all officials and non-officials are working together with a common object, it should not be difficult to establish model co-operative societies and to give the fullest training in co-operative principles particularly in the habit of thrift and of investment of surpluses in years of good harvests. The panchayat members would ordinarily form the nucleus of the society, whose activities should not be confined to providing loans but which should also operate as a co-operative supply and sale society.

2187. The land mortgage bank when established might, with advantage, first limit its activities to these selected villages, but should at least provide special facilities therein.

2188. It is not necessary in this report to discuss all aspects of a campaign of rural reconstruction. But we trust that our Chairman will proceed as early as possible to marshal for public information the details of his scheme, upon which our present general suggestions are based, for we believe that this would largely meet the requirements of the case.

2189. Provincial Economic Development Board.—For the carrying out of a campaign of this nature and for implementing various other proposals made by us in this report, the establishment of a Provincial Economic Development Board with local branches appears to be essential.

2190. As we have already stated, we cannot agree with the proposition that the mere existence of a Ministry with joint responsibility can secure the co-ordination of effort and continued driving power which is required for a campaign of this kind. Ministries are liable to change from time to time in all countries. The need for a permanent executive staff under a democratic form of Government, to secure continuity of effort and to give advice upon technical questions, has been recognized in Great Britain and in all other countries.

2191. The need for greater co-ordination and continuity of effort has been explained by Mr. Macnee in his evidence and has been stressed by a number of witnesses who have appeared before us, and is, we feel, not now disputed.

2192. It is true that an Agricultural Advisory Board at present exists in this province. Its meetings, however, are relatively rare. It discusses isolated proposals from time to time, but it has no whole-time executive staff, and exercises no executive powers, and we have found in the course of our enquiries that its very existence is still unknown in many parts of the province.

2193. Something more than this is needed to implement our proposals. We do not consider it necessary to dwell on this subject further. But as we have alluded from time to time in this report to the need for an Economic Development Board, we have thought it desirable in this chapter to describe briefly the kind of institution which we have in view, and the general lines upon which it would be required to operate.

2194. In conclusion, we feel that the importance of the subject justifies us in stressing once more, that the economic development of the province, upon which our whole future depends, should have the first claim, not only on the provincial revenues, but upon the services of all paid officials and public workers. As regards the officers of Government, we would urge the desirability of impressing upon them that the work of accelerating the economic development of the province must, in future, be their most important duty, to which all other duties should be subordinated.

PART VII

CHAPTER XVI—INVESTMENT HABIT.

I

NEED FOR INVESTMENT.

2195. In considering the question of the investment habit in the province as a whole, it is necessary to bear in mind that 91 per cent of the total population reside in rural areas, and that nearly all of these are dependent either directly or indirectly for their maintenance upon agriculture, a profession which owing to the great variations in climatic conditions may in any year or succession of years show after deducting the necessary expenses of maintenance, cultivation, and rent, a deficit instead of a surplus as is explained in Chapter II of this report. It is obvious that with such variations in crop outturn the cultivator must either put by savings in the good year, or borrow in the bad.

II

AGENCIER FOR INVESTMENT (*a*).

2196. Indigenous Money-lenders.—We have explained in Chapter IV that by far the most important agricultural credit agencies are the indigenous mahajan, who has financed 82.85 per cent, and the landlord, who has financed 11.80 per cent of the total agricultural loans at present outstanding, and that they have been the main sources of agricultural finance from time immemorial. We have also explained that the indigenous money-lender confines his money-lending operations as a general rule to the limits of his own capital resources. Among the indigenous money-lenders various sects of upcountry *Banias* predominate particularly the Marwari, Parwar, etc., etc. It is said that these persons when they first came from their homes brought little with them, but a rope and a *lota*. Although in the course of time many of them have built up an extensive money-lending business with considerable amount of accumulated capital, most of them started in humble circumstances. In nearly all cases they commenced as petty shopkeepers, etc., gradually investing their savings, as they accumulated, in money-lending.

2197. Acceptance of deposits foreign to system of indigenous money-lending.—But we have stressed the point more than once in this report that the idea of increasing working capital by accepting deposits is quite foreign to the sterotyped method of indigenous money-lending. It is true that in course of our intensive enquiries we have come across stray cases in which rural business men or money-lenders have taken isolated sums on

deposit from acquaintances, but these cases are extremely rare; and although the indigenous money-lenders sometimes take advances when they are short of funds, from the bigger money-lenders and indigenous bankers for carrying on their business, we were usually told by the very many rural money-lenders whom we consulted, that they were not prepared to carry on a general money-lending business on borrowed capital, and thought it safer to confine their business to their own accumulated savings. In fact, there is still a wide spread view among indigenous sowkars that there is something derogatory about taking advances or accepting deposits, and that the financial position of a person who does so is not all that it should be.

2198. Indigenous money-lenders do not encourage the investment habit.—We have put before the rural money-lenders many proposals for co-ordinating them with other credit agencies in order that they might obtain additional finance for their business from time to time, but we found very few persons who approved of or thought necessary such proposals. We stress this point once more at the beginning of the chapter. The mere fact that the indigenous money-lender does not feel the need for taking deposits and often considers it a reflection on his credit to do so, has obscured in his eyes the value of winning and maintaining the confidence of the public. This is also true, as we have explained in Chapter XIII, of the bigger financiers and so-called indigenous bankers. They have not realized the need for encouraging by propaganda the investment habit so as to secure a flow of deposits, nor in fact even now are there many in rural areas who would be willing to accept deposits on a large scale.

2199. Lack of investment facilities.—It will then at once be clear that the principal rural credit agencies have never provided facilities for investment nor made severe attempts to stimulate the investment habit.

2200. The cultivator is, as we have explained in Chapter XIV, notoriously conservative and in the absence of any stimulus or facilities for changing the age-long system of finance, prefers to take advances from a money-lender when he requires them and in fact to keep a running debt with his sowkar, rather than to endeavour to accumulate his own invested savings.

Post Office Savings Bank. (*b*).

2201. Extent of investments in savings bank and cash certificates, bonds and investment certificates.—That the facilities for savings provided by the post office savings bank and the postal cash certificates have developed to a certain degree the habit of investment, where the post office savings banks exist, is shown from the statistics which we have given in Chapter III. The total amount in the savings account of the post office savings banks in this province comes to Rs. 1,08,95,140, while Rs. 97,61,687 have been invested in postal cash certificates since their introduction.

In addition Rs. 12,08,945 have been invested in bonds and investment certificates through the post office savings banks. The following statement shows the distribution of the post office savings branches in the various zones :—

Zone.	Total number of post offices doing savings bank business.	Number of square miles per savings bank.	Number of population per savings bank.
1	2	3	4
Cotton Zone	226	125·1	20,920·7
Rice Zone ...	149	258·7	35,380·5
Wheat Zone	120	136·2	19,350·7
Plateau Zone	47	355·8	33,848·7
For Province	542	182·5	25,669·7

—	Area.	Population.
1	2	3
	Acres.	
Cotton Zone	28,262	4,728,087
Rice Zone	38,542	5,271,698
Wheat Zone	16,349	2,322,081
Plateau Zone	16,723	1,590,889

2202. These branches are confined almost entirely to district and tahsil headquarters and other larger trading centres, while their clientele consists almost entirely of the urban population or the dwellers in the immediate environs of the large towns. The Postmaster-General reports that the persons making use of these savings facilities are mostly pleaders, Government servants and railway employees, and other urban dwellers of the middle classes.

2203. Large areas in the province are situated at long distances from any post office savings bank branch, so that even if any urge for investment of savings arose, it would not at present be practically possible for a large proportion of the rural population to deposit their savings in the post office savings banks. It seems clear that the investment facilities provided by the post office savings banks can never touch more than the barest fringe of the rural population, until there is a great increase in the number of savings bank branches.

Co-operative Credit Banks (*c*).

2204. Number of Societies.—We have explained in Chapter XI that there are at present 3,865 co-operative societies in the province, but we have also explained how the development of the thrift or investment habit which is one of the main objects of co-operative has not in the past received the attention that it deserved.

2205. Deposits from rural areas.—We have also explained that the total amount of deposits by members of rural societies amounts to Rs. 2,64,378 only out of a total capital of Rs. 1,63,87,055.

2206. Co-operative credit societies are far more numerous and more widely spread over the province than post office savings banks branches, but even the total number of members of co-operative credit societies represents only 2 per cent of the total number of families of five persons dwelling in rural areas.

2207. We have already explained that all but a very small percentage of the total working capital of the Central Banks and societies is derived from deposits made by dwellers in urban areas.

2208. Comparison with post office investments.—Even then the total deposits and savings bank account of the Central Banks and societies amount to Rs. 1,34,55,126 only, as compared with the total amount of Rs. 2,18,65,772 invested through the post office savings banks.

Joint Stock Banks (*d*).

2209. It is true that the joint stock banks also have a savings branch, but it is not necessary to quote in detail from Chapter III to demonstrate that the savings facilities provided by the joint stock banks cannot reach the rural population.

2210. Distribution of branches.—The Imperial Bank of India has only 10 branches in the whole of the Central Provinces and Berar, while the Allahabad Bank has only 3. It is interesting to note that in these provinces the Imperial Bank of India has one branch for every 9,987 square miles of territory.

2211. Extent of deposits.—We find that at the branches of the Imperial Bank between 31st December 1925 and 31st December 1929 the number of savings banks accounts increased from 2,655 to 3,253 or by over 22 per cent, while the total amount deposited in the savings banks account increased from Rs. 25,43,000 to Rs. 38,66,000 or by 53 per cent.

2212. At the same time, although the number of fixed deposits accounts only increased from 730 to 736 or by less than 1 per cent, the total amount deposited under this head increased from Rs. 48,97,000 to Rs. 58,73,000 or by 20 per cent.

2213. These figures are undoubtedly encouraging and show clearly that, where adequate investment facilities exist and are understood, the investment habit is likely to develop rapidly. Unfortunately, however, the operations of the Imperial Bank of India are confined almost entirely to urban areas.

III

THE CLASSES OF POPULATION RESORTING TO VARIOUS SAVINGS INSTITUTIONS

2214. It is, clear that very few members of the rural population resort or have facilities for resorting to these savings institutions.

2215. The post office savings bank has undoubtedly become popular with the educated classes in urban areas, particularly with Government servants and members of the legal and learned professions. The Co-operative Credit Central Banks are also now well established in the confidence of the urban public, and the total sums received in deposits by these institutions might be considerably greater were it not for the fact that the amount received in deposit by several of the Central Banks already actually exceeds their immediate working requirements, so that these institutions have to limit the amount which they can now accept upon deposit.

2216. Rates of interest on deposits allowed by various agencies.—The rates of interest allowed by these various institutions are as follows:—

Post office savings banks—3 per cent.

Co-operative credit savings bank branch and deposits at rates varying between 4½ and 6½ and in some cases 7 per cent, according as the period varies between 1 and 5 years.

Allahabad Bank—		
(a) Savings Branch	...	**3 per cent.**
(b) Deposits	...	**Between 3 and 4½ per cent according to period.**
Imperial Bank—		
(a) Savings Bank	...	**3 and 3½ per cent.**
(b) Deposits	...	**Varying between 3 and 3½ per cent according to the period.**

2217. At first sight the rates of interest paid by the Central Banks on deposits, appear to be too high, specially in those banks where the supply of money on deposit exceeds the demand. The rates were until recently even higher. The Provincial Co-operative Bank allows 4½ per cent on deposits and has a supply of deposits in excess of its present demand. As has been explained in Chapter XI, the need for reducing the rates of interest upon deposits has been realized, and the Registrar of the Co-operative Credit Societies and the Provincial Bank are doing their best to induce the Central Banks to reduce all high rates of interest on deposits as early as possible, and these efforts are with a few exceptions meeting with some success.

2218. The accounts both in the savings branch and in the fixed deposit branch of the Imperial Bank of India are mainly confined to large amounts of big persons.

2219. Investment facilities adequate in urban area.—There are also considerable facilities in the big towns for investment in Goverment loans and in other securites, and our enquiries show that in urban areas with the possible exception of some of the smaller towns the facilities for investment are adequate, and are being made use of to an increasing extent from day to day.

2220. There still exists, however, a relatively large number of old-fashioned indigenous bankers and money-lenders, who prefer to maintain with them a considerable portion of their capital in the form of jewellery or bullion, and who do not yet appear to realize that these resources could with greater advantage be placed in deposit with the Imperial Bank of India.

2221. Mr. Simcox in his interesting note on rural finance quotes the case of the big mahajan of Malegaon whose 3 lakhs of rupees worth of jewellery and bullion were destroyed by arson at the time of the riots.

2222. Set back to investment habit by recent Bank failures.—The investment habit has undoubtedly received a very serious set back from some recent bank failures, such as that of the Alliance Bank of Simla; and many of the old-fashioned and more cautious indigenous money-lenders stated, when we discussed the advantage of investment with them, that no one knew when any bank might fail, and that it was safer to keep one's capital reserve in one's own possession.

2223. It is possible also that recent political agitation has to some extent shaken the confidence of the public in banking institutions and even in Government investments.

2224. As regards the population in urban areas, including the old-fashioned members of the money-lending community, we feel that we must rely more upon education and propaganda for the further development of the investment habit.

2225. Some witnesses who appeared before us, however, have alleged that the methods of the subordinate officials of the post office savings banks are unbusinesslike, and have complained of the difficulties which are sometimes experienced, particularly by uneducated persons, in withdrawing money from the post office savings bank, and sometimes even in purchasing cash certificates or in making deposits.

2226. We realize that great care must be exercised in money transactions with illiterate persons, to see that no mistake or fraud is committed. We feel, however, at the conclusion of our investigations that the post office department would be well advised to consider whether greater simplicity and elasticity in the administration of the savings bank branches would not be possible, and to endeavour to secure by close supervision of subordinate officials a greater promptness of disposal.

2227. At the same time we do not wish to minimize the very substantial work which has been done by the post office savings bank in encouraging the investment habit in urban areas.

IV

Proposals for stimulating investment.

2228. Methods of dealing with surplus capital at present in the country side.—Before proceeding to consider the best methods of developing the investment habit among dwellers in rural areas it is perhaps necessary to give a brief resumé of the existing methods of dealing with surplus capital in the country side.

2229. We have explained in Chapter II that grain was for long, and in some parts of the province still is, the principal medium of exchange, and that surplus capital in the past usually took the form of surplus grain or agricultural produce.

2230. The capitalist of those days was he who had accumulated a surplus store of grain and cattle, and the earliest loans were usually advances in grain.

2231. The high rates of interest were justified in those days and in fact did not necessarily cause economic embarrassment to the borrower, because in a bumper year there was sometimes more grain than could be used, and it was quite possible that in a bumper year the amount of grain due plus even 100 per cent interest, might be worth less than the capital amount of grain originally borrowed.

2232. Origin of hoarding.—We have explained how exchange economy gradually developed, and how money became more and more the principal medium of exchange. But unfortunately side by side with the development of a monetary exchange, no corresponding system of cash investment was evolved. There was obviously no need for investment facilities when grain and cattle were the usual media of exchange. Capital in this form could only be accumulated in the possession of the owner. But our modern financial system has produced facilities for the accumulation of monetary savings, that is to say, facilities for investment. These facilities, as we have already explained, were not developed in rural areas side by side with the system of monetary exchange. And under these circumstances those persons who in course of time converted their surplus into cash and currency began, *faute de mieux*, to hoard it.

2233. The practice of hoarding large quantities of cash and bullion in rural areas either buried in the ground or kept in some place in safe custody, is fortunately now becoming more rare.

2234. Gold and silver ornaments.—But those cultivators with a cash surplus still apply a considerable portion of it to the purchase of gold and silver ornaments, which serve to adorn in times of prosperity, and as a more or less primitive form of capital reserve when bad times come.

2235. We have paid special attention to this very important and interesting question in the course of our intensive enquiries, and have recorded in column 37 of Form A, which was specially prepared by us for the purposes of our intensive enquiries, the amount of gold and silver which each individual cultivator and malguzar admitted to be in his possession.

2219. Investment facilities adequate in urban area.—There are also considerable facilities in the big towns for investment in Goverment loans and in other securites, and our enquiries show that in urban areas with the possible exception of some of the smaller towns the facilities for investment are adequate, and are being made use of to an increasing extent from day to day.

2220. There still exists, however, a relatively large number of old-fashioned indigenous bankers and money-lenders, who prefer to maintain with them a considerable portion of their capital in the form of jewellery or bullion, and who do not yet appear to realize that these resources could with greater advantage be placed in deposit with the Imperial Bank of India.

2221. Mr. Simcox in his interesting note on rural finance quotes the case of the big mahajan of Malegaon whose 3 lakhs of rupees worth of jewellery and bullion were destroyed by arson at the time of the riots.

2222. Set back to investment habit by recent Bank failures.—The investment habit has undoubtedly received a very serious set back from some recent bank failures, such as that of the Alliance Bank of Simla; and many of the old-fashioned and more cautious indigenous money-lenders stated, when we discussed the advantage of investment with them, that no one knew when any bank might fail, and that it was safer to keep one's capital reserve in one's own possession.

2223. It is possible also that recent political agitation has to some extent shaken the confidence of the public in banking institutions and even in Government investments.

2224. As regards the population in urban areas, including the old-fashioned members of the money-lending community, we feel that we must rely more upon education and propaganda for the further development of the investment habit.

2225. Some witnesses who appeared before us, however, have alleged that the methods of the subordinate officials of the post office savings banks are unbusinesslike, and have complained of the difficulties which are sometimes experienced, particularly by uneducated persons, in withdrawing money from the post office savings bank, and sometimes even in purchasing cash certificates or in making deposits.

2226. We realize that great care must be exercised in money transactions with illiterate persons, to see that no mistake or fraud is committed. We feel, however, at the conclusion of our investigations that the post office department would be well advised to consider whether greater simplicity and elasticity in the administration of the savings bank branches would not be possible, and to endeavour to secure by close supervision of subordinate officials a greater promptness of disposal.

2227. At the same time we do not wish to minimize the very substantial work which has been done by the post office savings bank in encouraging the investment habit in urban areas.

IV

Proposals for stimulating investment.

2228. Methods of dealing with surplus capital at present in the country side.—Before proceeding to consider the best methods of developing the investment habit among dwellers in rural areas it is perhaps necessary to give a brief resumé of the existing methods of dealing with surplus capital in the country side.

2229. We have explained in Chapter II that grain was for long, and in some parts of the province still is, the principal medium of exchange, and that surplus capital in the past usually took the form of surplus grain or agricultural produce.

2230. The capitalist of those days was he who had accumulated a surplus store of grain and cattle, and the earliest loans were usually advances in grain.

2231. The high rates of interest were justified in those days and in fact did not necessarily cause economic embarrassment to the borrower, because in a bumper year there was sometimes more grain than could be used, and it was quite possible that in a bumper year the amount of grain due plus even 100 per cent interest, might be worth less than the capital amount of grain originally borrowed.

2232. Origin of hoarding.—We have explained how exchange economy gradually developed, and how money became more and more the principal medium of exchange. But unfortunately side by side with the development of a monetary exchange, no corresponding system of cash investment was evolved. There was obviously no need for investment facilities when grain and cattle were the usual media of exchange. Capital in this form could only be accumulated in the possession of the owner. But our modern financial system has produced facilities for the accumulation of monetary savings, that is to say, facilities for investment. These facilities, as we have already explained, were not developed in rural areas side by side with the system of monetary exchange. And under these circumstances those persons who in course of time converted their surplus into cash and currency began, *faute de mieux*, to hoard it.

2233. The practice of hoarding large quantities of cash and bullion in rural areas either buried in the ground or kept in some place in safe custody, is fortunately now becoming more rare.

2234. Gold and silver ornaments.—But those cultivators with a cash surplus still apply a considerable portion of it to the purchase of gold and silver ornaments, which serve to adorn in times of prosperity, and as a more or less primitive form of capital reserve when bad times come.

2235. We have paid special attention to this very important and interesting question in the course of our intensive enquiries, and have recorded in column 37 of Form A, which was specially prepared by us for the purposes of our intensive enquiries, the amount of gold and silver which each individual cultivator and malguzar admitted to be in his possession.

2236. We realize very clearly that there is no natural incentive to disclose the amount of property held in valuables and precious metals. There is on the other hand a natural tendency to conceal the amount of property of this kind. To quote one reason only, none of us desire gratuitously to invite the attentions of the thief or house-breaker by proclaiming the existence of a considerable amount of valuable moveable property in our possession.

2237. It should, therefore, be clearly understood that the following compilation is based simply upon the voluntary statements of individual cultivators as to the amount of valuables in their possession, and is almost certainly an underestimated:—

Zone	Number of families examined.	Gold and silver in possession.	Value per family.
1	2	3	4
			Rs.
Cotton Zone ...	2,829	587,875	208
Rice Zone ...	2,565	179,291	70
Wheat Zone ...	1,422	179,854	126
Plateau Zone ...	765	141,017	184
Total for Province ...	7,581	1,088,037	144

2238. We have already discussed this question earlier in the report.

2239. It is interesting to note, however, that on the voluntary admission of cultivators situated in all parts of the province the average amount of gold and silver in their possession per family for the province as a whole works out at Rs. 144.

2240. There are in all, according to our estimate of the present population, 64,276 families of landlords and 1,316,525 families of rent-paying cultivators in the Central Provinces and Berar or a total of 1,380,801 families.

2241. If we adopt the average figure obtained from the voluntary statements of the 7,581 persons in the villages where economic enquiries were made by us, it would indicate that the total value of the gold and silver in the possession of the cultivating classes of the Central Provinces at present cannot be less that Rs. 19 crores which amounts to 53 per cent of the total amount of agricultural debt outstanding at the time of our enquiries.

2242. Value of the cattle owned.—In addition, as we have explained elsewhere, the total number of cattle owned in rural areas in the province is as follows:—

Agricultural cattle	... 4,659,662
Non-agricultural cattle	... 9,272,657

According to the extremely modest valuation adopted by us in Chapter II the total value of these cattle comes to—

	Rs.
Agricultural cattle	... 19,17,21,590
Non-agricultural cattle	... 16,55,69,405.

The value of the non-agricultural cattle alone represents about 35 per cent of the total amount of agricultural debt outstanding at the time of our enquiry.

2243. It is not our purpose to imply that the agriculturist should not devote a certain proportion of his savings for the purchase of jewellery and ornaments for the ladies of his household. Common instincts of family affection and chivalry throughout the world impel mankind to expend a certain percentage of savings on the clothing and adornment of female relations in a manner suited to their social position. We agree also that these ornaments of gold and silver do form a valuable asset which can be realized in time of need and are therefore a primitive form of capital reserve.

2244. Loss to individuals and to the nation by investment in gold and silver instead of the savings bank.—But at the same time we cannot lose sight of the very substantial losses which occur at the time of realization. The cultivator never obtains the same price for his ornaments as he pays for them. Adulteration of precious metals by goldsmiths in the course of manufacture is a common subject of complaint; but whatever the causes may be, our enquiries show clearly that the loss which the cultivator incurs over the purchase and subsequent sale of gold and silver ornaments is not often less than 20 per cent. That is to say, that, whereas, if an equivalent sum were invested in the savings bank it would earn during the period a substantial sum of interest, the method of investment in gold and silver ornaments results only in a substantial loss.

2245. This is the loss caused to the individual purchaser. The losses to the community as a whole is far greater.

2246. The accumulation of precious metals in the private possession of individuals operates to withdraw a certain portion of wealth from circulation. That is to say it temporarily reduces the national resources.

2247. It is commonly estimated that every hundred rupees deposited in a bank will normally produce some Rs. 500 credit. Credit in the financial sense is after all the means whereby finance provides currency to enable the individual to go into the market to purchase commodities or to carry on his industry, and every

hundred rupees of precious metals withdrawn into the temporary possession of the private individual therefore indirectly reduces the resources of industry by some Rs. 500.

2248. Up to now this aspect of the evil reactions of hoarding upon national prosperity seems to have been appreciated by only a small percentage of persons in urban areas and by practically no one in rural areas. In fact some educated witnesses, who appeared before us, have gone so far as to deny altogether the existence of such reactions.

2249. So much for the subject of hoarding and accumulation of bullion and precious metals.

2250. Purchase of land a form of investment.—Some of the other objects to which cultivators apply their surplus capital is the purchase of land, the purchase of cattle and the lending of money to others.

2251. The purchase of land by a genuine agriculturist to expand his holding is not necessarily an economically injurious form of investment. But experience shows that the desire for land often obscures its real value, and that the prices for land in many cases, particularly in the cotton zone where there are rapid fluctuations in the price of agricultural produce, are much often higher than the productive capacity of the soil would justify.

2252. Unfortunately also cultivators very often supplement their own savings by borrowing further sums for the purchase of land, and these loans are often taken at relatively high rates. Numerous cases have come to our notice in which cultivators have involved themselves more or less hopelessly in debt by purchasing land at high prices and borrowing money at high rates of interest in order to do so (*e.g.*, Barghat in the Seoni district, *vide* Appendix E-LIII, and Chandas in the cotton zone, *vide* Appendix E-XVI).

2253. Development of investment habit—an urgent need.—We have explained, however, elsewhere in this report that when it is impossible to foresee the outturn of the year and when at any time a succession of bad years may occur, the one most urgent need of agriculture in this province is the development of the habit of investment and the accumulation in savings of the largest amount of capital possible during the years of good harvest to operate as a reserve fund when the bad years come. We feel that this only can completely solve the problem of agricultural indebtedness.

2254. The development of the habit of investment will not only provide an individual cultivator with a reserve fund to be drawn on when the bad years come, but will also very greatly increase his economic credit and will do much to reduce the general rates of interest.

2255. It will also set free for financing other operations large sums of money which are locked up at present. We attach the highest importance to this subject.

2256. If some adequate facilities for investment in rural eas and an adequate agency for stimulating and developing by ıtensive propaganda the habit of investment are created in the ırly future, we shall feel that our labours have not been in vain.

2257. **Methods of developing investment habit in rural eas.**—We can now return to the question of the best method developing the investment habit in rural areas.

2258. **(a) Post office savings branches should be increased.** -In the first place adequate investment facilities must be created ı all rural areas. We press therefore for a very great extension ı the number of post office savings bank branches, as this agency as been proved by experience to be capable of attracting consi- erable amounts of savings.

2259. **(b) Co-operative societies should concentrate on thrift id investment habit.**—We have already pointed out in Chapter I that in future we should concentrate in our co-operative edit societies on developing thrift and the investment habit, id this should henceforth be the first aim of our co-operative orkers.

2260. Those who are responsible for the supervision of o-operative credit societies should be unceasing in their en- eavour to encourage members to deposit with their society as ırge sums as possible whenever the crop outturn is good.

2261. We have recommended that a providend fund scheme ıould be one of the main features of the Provincial Land Mort- age Bank, which we have proposed in Chapter VI, and a similar cheme might be drawn up for co-operative credit societies also.

2262. **(c) Land Mortgage Bank to issue cash certificates for ide sale.**—We would also recommend that the land mortgage ank should issue savings cash certificates for sale throughout ural areas through the agency of the Co-operative Central anks and co-operative societies and other agencies.

2263. **The funds collected should be used to finance rural equirements.**—We have already explained above that considerable ums have been already invested in postal cash certificates, but that ıost of these investments have been from urban areas.

2264. Many witnesses who have come before us have tressed the point that for the development of the country-side t is essential that savings deposited in rural areas should be etained for the financing of rural requirements, and should not e diverted to financing commerce in the towns.

2265. One of the few objections which have been forth- oming with regard to the post office savings banks and postal ash certificates has been that they operate as agencies for divert- ng the wealth of the country-side for the benefit of urban enter- ırise.

2266. There appears to be some substance in this objection. t will be admitted that no corresponding financial facilities are

hundred rupees of precious metals withdrawn into the temporary possession of the private individual therefore indirectly reduces the resources of industry by some Rs. 500.

2248. Up to now this aspect of the evil reactions of hoarding upon national prosperity seems to have been appreciated by only a small percentage of persons in urban areas and by practically no one in rural areas. In fact some educated witnesses, who appeared before us, have gone so far as to deny altogether the existence of such reactions.

2249. So much for the subject of hoarding and accumulation of bullion and precious metals.

2250. Purchase of land a form of investment.—Some of the other objects to which cultivators apply their surplus capital is the purchase of land, the purchase of cattle and the lending of money to others.

2251. The purchase of land by a genuine agriculturist to expand his holding is not necessarily an economically injurious form of investment. But experience shows that the desire for land often obscures its real value, and that the prices for land in many cases, particularly in the cotton zone where there are rapid fluctuations in the price of agricultural produce, are much often higher than the productive capacity of the soil would justify.

2252. Unfortunately also cultivators very often supplement their own savings by borrowing further sums for the purchase of land, and these loans are often taken at relatively high rates. Numerous cases have come to our notice in which cultivators have involved themselves more or less hopelessly in debt by purchasing land at high prices and borrowing money at high rates of interest in order to do so (*e.g.*, Barghat in the Seoni district, *vide* Appendix E-LIII, and Chandas in the cotton zone, *vide* Appendix E-XVI).

2253. Development of investment habit—an urgent need.—We have explained, however, elsewhere in this report that when it is impossible to foresee the outturn of the year and when at any time a succession of bad years may occur, the one most urgent need of agriculture in this province is the development of the habit of investment and the accumulation in savings of the largest amount of capital possible during the years of good harvest to operate as a reserve fund when the bad years come. We feel that this only can completely solve the problem of agricultural indebtedness.

2254. The development of the habit of investment will not only provide an individual cultivator with a reserve fund to be drawn on when the bad years come, but will also very greatly increase his economic credit and will do much to reduce the general rates of interest.

2255. It will also set free for financing other operations large sums of money which are locked up at present. We attach the highest importance to this subject.

2256. If some adequate facilities for investment in rural reas and an adequate agency for stimulating and developing by ntensive propaganda the habit of investment are created in the arly future, we shall feel that our labours have not been in vain.

2257. **Methods of developing investment habit in rural reas.**—We can now return to the question of the best method f developing the investment habit in rural areas.

2258. **(a) Post office savings branches should be increased.** –In the first place adequate investment facilities must be created n all rural areas. We press therefore for a very great extension n the number of post office savings bank branches, as this agency ias been proved by experience to be capable of attracting consi-lerable amounts of savings.

2259. **(b) Co-operative societies should concentrate on thrift ind investment habit.**—We have already pointed out in Chapter XI that in future we should concentrate in our co-operative :redit societies on developing thrift and the investment habit, ind this should henceforth be the first aim of our co-operative vorkers.

2260. Those who are responsible for the supervision of :o-operative credit societies should be unceasing in their en-leavour to encourage members to deposit with their society as arge sums as possible whenever the crop outturn is good.

2261. We have recommended that a providend fund scheme ihould be one of the main features of the Provincial Land Mort-gage Bank, which we have proposed in Chapter VI, and a similar scheme might be drawn up for co-operative credit societies also.

2262. **(c) Land Mortgage Bank to issue cash certificates for wide sale.**—We would also recommend that the land mortgage bank should issue savings cash certificates for sale throughout rural areas through the agency of the Co-operative Central Banks and co-operative societies and other agencies.

2263. **The funds collected should be used to finance rural requirements.**—We have already explained above that considerable sums have been already invested in postal cash certificates, but that most of these investments have been from urban areas.

2264. Many witnesses who have come before us have stressed the point that for the development of the country-side it is essential that savings deposited in rural areas should be retained for the financing of rural requirements, and should not be diverted to financing commerce in the towns.

2265. One of the few objections which have been forth-coming with regard to the post office savings banks and postal cash certificates has been that they operate as agencies for divert-ing the wealth of the country-side for the benefit of urban enter-prise.

2266. There appears to be some substance in this objection. It will be admitted that no corresponding financial facilities are

provided in rural areas from the savings accumulated through the post office savings banks. Up to now, however, as we have already stated, most of these savings actually come from urban areas.

2267. But in future if rural areas are to obtain the full benefit from a wholesale and successful campaign for development of the investment habit in the country-side, we must be careful to see that the capital invested in rural areas is made use of to provide corresponding credit facilities for agriculture.

2268. For these reasons it has been suggested to us that the capital accumulated through the post office savings bank should be devoted to financing taccavi advances in rural areas. There is much to be said for this suggestion.

2269. For the same reason we ourselves would prefer to see wholesale investment in savings cash certificates issued by the provincial land mortgage bank rather than in postal cash certificates.

2270. We feel, however, that it would be outside our province to venture into the realms of higher finance, and it may be argued that the question as to whether investments are made in postal cash certificates or in land mortgage banks savings certificates is not of ultimate importance, because the benefits of an increase in the accumulated capital reserve of the country cannot be confined to one community alone, but must react equally upon all branches of productive industry.

2271. We do not, therefore, desire to pursue this matter further, but would stress the need for ear-marking the largest sums which can be made available from any source, either through the reserve bank when constituted, or through any other agencies, for financing the development of the country-side.

2272. (*b*) **Development department to help.**—As regards the agencies by which the intensive compaign for the development of the investment habit should be carried out, we have already explained in Chapter XV the need for the creation of a separate development department under the Provincial Development Board with a whole-time Development Commissioner as principal executive officer.

2273. One of the principal duties of this department will be to organize an intensive campaign for the stimulation of thrift and the investment habit on the lines of national savings campaigns in Great Britain.

2274. We have already stated that we feel it would be impossible for us within the scope of this report to work out in detail the exact methods by which these duties should be performed. There should, however, be a co-ordinated effort in all districts to develop the investment habit and it should be made clear to all public workers, both official and non-official, that this is at present the most urgent economic need of the province. We feel that it would be advisible for the campaign to be concentrated in the first instance in selected villages on the lines foreshadowed in Chapter XV.

2275. (*e*) Curricula of vernacular education to be suitably amended.—It will be necessary to amend the curricula of vernacular education in some respects, as was suggested by Mr. H. S Staley, when he appeared before us (witness No. 79). He admitted that up to now the need for endeavouring to instill the habit of thrift from infancy upward had not been borne in mind in drawing up the present curricula.

2276. (*f*) Boy Scout movement to aid in thrift campaign.—Much can be done through the Boy Scout movement also, in which it will be particularly necessary to concentrate on thrift, which already finds a place in scout law. Scout troops should be organized and trained in all the selected villages, and should be in the forefront in the campaign of uplift. Space and time prevent us from dilating further on this very important subject.

2277. (*g*) Deposit Branches should also be opened at Post offices.—The habit of investment can also be encouraged, if the post office savings banks accept deposits from 3 to 12 months. This will encourage cultivators to place their spare cash in deposit until the beginning of the next agricultural season.

2278. (*h*) Agencies for sale of cash certificates.—We also feel that the sale of postal cash certificates and land mortgage bank cash certificates might be entrusted to selected village schoolmasters and patwaris as commission agents, while the Co-operative Credit Central Banks and societies might also be used for the same purpose.

2279. (*i*) Restrictions on amount of post office savings to be removed.—We would also recommend that the restriction on the size of savings banks accounts and on the amount which can be deposited in any year, should be removed.

2280. The rate of interest on savings bank accounts is not high, and there is no reason why certain persons, who find their capital lying idle during certain months of the year, should not be allowed to invest their surplus cash in the savings bank.

2281. If our proposal to open a fixed deposit account in postal savings banks be also accepted, this should not be subject to any limit either.

2282. (*j*) Post office pass books to be bilingual.—We also recommend that the pass books of the post office savings bank should be both in the Vernacular and in English.

2283. The Postmaster-General, Nagpur, suggests that the rate of interest on post office savings banks accounts should be slightly raised in order to provide an additional attraction.

2284. Alleged competition of Government with joint stock banks.—In so far as Government accepts deposits in the form of postal cash certificates and post office savings banks, the Government competes to a certain degree with joint stock banks. But this competition also extends to the indigenous bankers and to the Co-operative Credit Central Banks. Competition with the joint stock banks, however, can only arise in those few big cities where the joint stock banks have branches.

brokers in Bombay, Calcutta and Madras. The Imperial Bank and the Allahabad Bank carry out these transactions with recognized brokers in Calcutta and Bombay through their Calcutta and Bombay branches.

2292. An extension of the number of branches of the Imperial Bank and other joint stock banks will increase facilities of the kind. The post office savings banks also provide facilities for investing money in Government securities. The public should be encouraged to make full use of these facilities.. Where there are no branches of the Imperial Bank, investment in new Government loans can be made through the Local Government treasury.

2293. As the investment habit is developed by education and propaganda in rural areas, a demand may arise for extending to rural areas facilities for investment in Government loans. The most suitable agency for the purpose would seem to be the post office.

VI

INVESTMENT TRUSTS, GOLD CASH CERTIFICATES AND PROVINCIAL SAVINGS ASSOCIATION.

2294. Investment trusts.—There are at present no investment trusts in this province. This subject can well be dealt with by the provincial Development Board, if and when, established.

2295. We see no reason why investments trusts should not be organized through the agency of the co-operative credit movement; but this subject would require more detailed investigation than would be possible in the time at our disposal.

2296. Gold cash certificates.—Gold cash certificates or gold savings certificates recommended by the Hilton-Young Commission are intended to make the gold and bullion standard known to the public. They are only likely to encourage savings and investment if the rate of interest is attractive. The mere fact that they would be redeemable in gold, will only be attractive when gold is not available elsewhere. As this is not likely to be the case in normal times, gold cash certificates are not likely to gain any greater popularity than postal cash certificates.

2297. Provincial savings association.—The establishment of a provincial savings association on the lines of similar institutions in Great Britain will undoubtedly be of great assistance to wage earners, and the organization of an association of this kind would be one of the natural duties of the development Board. An association of this kind would be principally of use to wage earners in permanent and regular employment in railways, mills, factories, in Government and other offices, and to schoolmasters, employees of public bodies, etc. Many of the clerks in Government offices at present subcribe to the general provident fund and insure their lives, but in addition a certain amount of cash savings is required at certain times, *e.g.*, in case of illness or marriage, etc. Savings associations will be most useful

for this purpose. In the case of mill and factory workers, generally, such associations, if helped and encouraged by the employers, would be of great economic value.

2298. We have separately stressed the need for concentration on the thrift and investment habit in the co-operative credit movement, and the co-operative credit societies under proper supervision and organization would form the natural units for savings associations. Unfortunately, however, no attempts in this direction have yet been made. We have considered this question in Chapter XI.

2299. Postal insurance.—As regards the proposal to open postal insurance to non-Government servants, we have sounded public opinion. We do not find that there is any demand for the extension of the postal insurance facilities to the general public, and we do not think that Government would be justified in entering into competition with the insurance companies, both foreign and Indian, by accepting the lives of people other than Government servants. Such action would involve an increase in the existing premium rates and might operate unfavourably upon the Government servants, who at present enjoy these facilities, without serving any general purpose.

VII

Life Insurance.

2300. Life insurance is becoming increasingly popular in urban areas. There are 15 life insurance companies at present operating in this province: seven of these companies have supplied us with information with regard to the extent of their business, as is explained in the following statement:—

Name of Company.	Value of policies effected.
	Rs.
Asian Assurance Company, Limited ...	1,90,000
Ideal Democratic Assurance and Mortgage Loans, Limited	4,54,300
Sunlife Assurance Company of Canada ...	11,92,053
Oriental Government Security Life Assurance Company, Limited	2 00,00,000
Central Provident and General Assurance Company, Limited	51,630
Prudential Assurance Company, Limited ...	1,00,000
Western India Life Assurance Company, Limited ...	50,000

The rapid increase in insurance business provides interesting evidence of what can be done by zealous propaganda, and augurs well for the results of an intensive thrift and investment campaign in rural areas.

2301. It has been suggested that, if the Government provident fund could be thrown open to the public including professional men, and mill and factory employees, etc., it would induce certain classes to save and to provide for the future. We consider that this suggestion deserves careful consideration.

VIII

GROWTH OF THE BANKING HABIT.

2302. The growth of the banking habit can be estimated to some extent from the extension of business of the Central Provinces and Berar branches of the Imperial Bank, during the period 1925—29. The number of current accounts has increased from 1,584 on December 31, 1925, to 2,190 on the same date in 1929, *i.e.*, by 38 per cent, while the total amount deposited in current accounts has increased from Rs. 33,31,,000 in 1925 to 51,58,000 in 1929, *i.e.*, by over 54 per cent.

2303. We have already alluded to the increase in savings and fixed deposit account branches. But as we have already explained, this increase is almost entirely confined to urban areas.

2304. **Growth of cheque habit.**—The number of cheques used on each account has increased from 33 in 1925 to 46 in 1929, an increase of 40 per cent. It is, therefore, quite clear that there has been a steady progress in the banking and cheque habit in urban areas, although the habit has not yet extended outside the environs of towns.

2305. The Imperial Bank rules provide that a current account cannot be opened for a less sum than Rs. 500. It may be argued that it is not desirable for an apex bank to handle very petty accounts, but on the other hand, it has been argued before us that the minimum should be reduced to Rs. 100 so as to encourage the banking habit. The minimum of the Allahabad Bank is Rs. 100, but this bank has only three branches in the province.

2306. **Possible methods of stimulating cheque habit, etc.**—There is a general unanimity of opinion that the abolition of stamp duty on cheques has stimulated the cheque habit.

2307. We have found opinion to be generally in favour of the use of bilingual cheques, *i.e.*, cheques in both English and Vernacular script. Although this may not produce any immediate marked effect, its ultimate effect is bound to be good, and the change appears to be not only rational, but necessary in a country where only a very small proportion of the businessmen are acquainted with English.

2308. It is quite clear that the banking and cheque habit can only develop if there are more general banking facilities. The modern joint stock banks cannot be expected to open branches unless sufficient business is available to make this a paying proposition. It appears to us that an early extension of banking facilities can only be made possible, if the economic management

of indigenous banking can be combined with a certain amount of the publicity and regularity of business of the modern banks. This can be secured, as we have pointed out in Chapter XIII, if indigenous bankers will organize themselves into private companies.

2309. Use of the postal department as a banker's agency.— It has been suggested, however, that the postal department should provide banking facilities by the opening of current accounts upon which cheques could be drawn at branch offices. This proposal appears to be worthy of consideration. If the proposal is found by the postal department to be a practical one, we are in favour of its adoption.

PART VIII.

CHAPTER XVII—SUMMARY OF CONCLUSIONS, RECOMMENDATIONS AND ACKNOWLEDGMENTS.

2310. We are now required to summarise the conclusions and recommendations contained in this report :—

(1) In Chapter I, we have explained the methods of enquiry and system of work which we have followed.

(2) We have stressed the need for accurate first hand information with regard to all aspects of the economic life of the people before any reliable conclusions can be drawn.

(3) The need for a Board of Economic Enquiry is now generally recognized, but, as we consider that its activities should not be confined to research but should be extended to implementing those schemes found necessary for the economic development of the country, we have proposed in Chapter XV the appointment of a Provincial Economic Development Board with branches in each district.

(4) In the meanwhile we have ourselves made an economic survey of the province as extensive as was possible in the time at our disposal, and have examined all aspects of the economic life of 7,581 families situated in all parts of the province.

(5) We have at the same time carried out a census of agricultural indebtedness.

(6) The map facing this report indicates the scope of our enquiries.

(7) We have concentrated our efforts on collecting by personal enquiry reliable facts and figures the importance of which was stressed by the central committee in Government of India, Finance Department letter No. F-2/7/F-29.

(8) In Chapter II we have given various statistics of area, population and cropping and have divided the province into four agricultural zones, the Cotton zone, the Rice zone, the Wheat zone and the Satpura Plateau zone. We have described in detail soils, crops, climate, classes of cultivators and other local characteristics of each zone and district.

(9) We have explained at length the various land tenures of the province, and have pointed out that whereas in Berar 95 per cent of the occupied area is freely transferable, 85 per cent of the area occupied by rent-paying cultivators in the Central Provinces proper cannot be transferred nor provide collateral security for loans (paras. 78 to 104).

(10) We have explained the economic effects of the loss of credit resulting from these restrictions on transfer, and have recommended the introduction of a Land Purchase Bill to enable tenants to acquire full rights in their holdings.

(11) We have also described in detail the main systems of agriculture and cropping (para. 104 to 154).

(12) We have given a detailed picture of the typical village, and have described the origin of various customs and rights and have explained the gulf which exists between urban and rural areas.

(13) We have explained the economic functions of the bazar village, and how rural requirements have always been, and still are largely met in rural areas. We have explained that grain is still an important medium of exchange in many parts of the province, and that only a small proportion of the total agricultural produce actually comes on the market.

(14) We have explained how the great variation in crop outturns from year to year is the dominating factor in rural life, and how the rural financier has always been necessary and is everywhere found. We have briefly sketched the history of the village mahajan or "great man" (as the word means in Sanksrit), and have described the very important part which he has played in the past in the development of the country-side.

(15) We have drawn up numerous family budgets for each district and zone, and have estimated at the conclusion of our enquiries, the cash equivalent of the average annual expenditure in grain and money on the maintenance and clothing of the average family in each district of the province.

(16) For the province as a whole, the total expenditure under this head comes to Rs. 28,20,99,071 with an average of Rs. 214 per average cultivating family of five persons.

(17) We have also after careful enquiries estimated the cost per acre of producing each different crop in each district. The total under this head for area held by cultivators comes to Rs. 20,72,34,060 with an average of Rs. 157 per family.

(18) Our estimates of cost of cultivation include the seed, wages of hired labour, capital depreciation on the price of bullocks, etc., etc., all of which items we have separately considered in our village enquiries, but do not include the rent.

(19) We have separately exhibited the rental assessment in each district and the average per acre. For the province as a whole, this item comes to Rs. 2,82,40,765 with an average of approximately Re. 1 per occupied acre, and Rs. 21 per family.

(20) We have next proceeded to estimate the value of the gross outturn per acre of each crop in each district at normal market prices. We have then made allowances for the loss in marketing the amount of produce actually sold by cultivators, and have shown that the gross crop outturn for the total area held by cultivators after this deduction comes to Rs. 64,81,75,401 with an average in a normal year of Rs. 491 per family of cultivators.

(21) We have then drawn up a statement showing the net income per acre after deducting costs of cultivation for each district in the province.

(22) We have examined the area of the average holding, and have exhibited the size of each holding in the villages intensively surveyed by us, and the average holding for each cultivating family of five in each district. We have shown that the average area

occupied for cultivation per family of five persons for the province as a whole is 21 acres, of which 16½ acres are normally under crop.

(23) We have explained the very uneven distribution of land, and pointed out that while there are numerous families with large holdings, there are also many with holdings less than the average.

(24) The average holding is considerably smaller in the rice tracts, where the profits of agriculture under present conditions are, however, considerably greater per acre than in the cotton zone or the wheat zone.

(25) We have examined in great detail the question of subsidiary employment and have stressed the great importance of the incomes which cultivators obtain from such sources as wages of agricultural labour, cattle-breeding, *ghee*, carting, extraction of forest produce, weaving, oil-pressing, etc., etc., and in the case of the bigger cultivators from money-lending.

(26) We have shown that the average income in our intensive enquiries from these sources worked out at Rs. 159 per family, and have stated that after making all allowances the income per average cultivating family from subsidiary sources cannot be less than Rs. 50 (paras. 453 to 469), and is often far more.

(27) We have then drawn up a provincial agricultural balance sheet.

(28) We have explained the great variations in crop outturn and pointed out that, excluding bumper years of abnormally heavy outturns and the calamity years of serious crop failure, the harvest varies yearly between 25 per cent above and 25 per cent below the average of a number of years.

(29) We have shown that when the crop outturn falls to 10 annas or 25 per cent below normal the value of the gross outturn received by cultivators may fall by Rs. 16,20,43,850 converting the balance of Rs. 13,06,01,505 of a normal year into a deficit of Rs. 3,14,42,345.

(30) We have also separately considered the incomes of the malguzars or landlords.

(31) We have noted that for the average family of five persons the net balance of agricultural income in a normal year after meeting the expenses of maintenance, cultivation and rent is Rs. 99 which is converted into a deficit of Rs. 23 when the crop falls to 25 per cent below the normal average crop, although there is sometimes a substantial surplus in the years of bumper harvest.

(32) We have explained the various other items of expenditure which the cultivator has to incur on marriages, funerals, interest charges, etc., etc., out of this average Rs. 99 annual balance, supplemented by his income from subsidiary sources, which varies considerably.

(33) In Chapter III we have described in detail the various credit and banking agencies.

(34) **Agricultural indebtedness.**—We have explained in Chapter I the methods adopted by us for calculating agricultural

indebtedness. We have separately exhibited in Chapter IV the total amount of debt owed by the landlords and cultivators of each district.

(35) The total agricultural debt for the province amounts to Rs. 36,46,57,194 of which Rs. 6,58,90,428 is owed by landlords, and Rs. 29,87,66,766 by cultivators, with an average per cultivator family of Rs. 227. The total agricultural debt represents 49 per cent of the value of the normal gross outturn, and 66 per cent of the expenses of maintenance, cultivation and rent.

(36) The annual interest charges amount to Rs. 7,29,31,435 or nearly 2½ times the total land revenue demand. The average interest charges per cultivating family amount to Rs. 45-8-0 per annum.

(37) We have analysed the distribution of indebtedness.

(38) We have shown that only 3.9 per cent of the cultivators are actually hopelessly indebted and that they bear 37.4 per cent of the total burden of cultivators' debts. 45 per cent on the other hand have no debts at all, the percentage varying in different districts. We have explained that the debts of some of the remainder consist only of seasonal loans taken for financing their agricultural operations and repayable at harvest.

(39) We have discussed all these questions at length in a separate note on each of the 87 villages intensively surveyed by us, and in a separate resumé of the economic position of each district.

(40) These are attached in a separate volume as Appendices E and J.

(41) We have also made enquiries into various industries and the financial systems at many centres, and have made surveys of the principal markets (Appendices G-I to G-X).

(42) In drawing our conclusions and in making recommendations we have emphasized the danger of easy generalization.

(43) At the commencement of our enquiries many of us had opinions with regard to rural conditions which differed considerably from the unanimous conclusions now recorded at the completion of our enquiries. For, a real idea of rural economic conditions can only be obtained by personal enquiry on the spot in rural areas.

(44) We have explained that the real causes of agricultural indebtedness are—

(1) The variations in crop outturns, which make it inevitable for many cultivators to borrow money in the poor years, if they have not invested savings in the good.

(2) The absence of adequate investment facilities in rural areas, and the failure to inculcate the habit of thrift and of investment of the surpluses of the good years.

(3) The high rates of interest which are partly the outcome of the risks of advancing loans under present conditions, and partly due to the methods of business of the indigenous money-lender, who carries on his

business on his own capital which is often relatively small, and who has not yet adopted the modern banking system of increasing his working capital by deposits.

(45) We have explained that although a small percentage of cultivators are undoubtedly extravagant, the average cultivator is not guilty of extravagance in his normal expenditure.

(46) In discussing the effects of indebtedness we have explained that the old systems of "jor", "laoni", and "bandhor" whereby the debtor was compelled to hand over his crop at a fixed price to the money-lender, are rapidly dying out.

(47) Although most cultivators do market their crops immediately after harvest for other reasons, their freedom of disposal of their crops is not generally restricted by the fact of indebtedness.

(48) We have explained that the perennial drain of interest charges absorbs a large part of the net balance of agricultural income, and is the main obstacle to the development of the country-side and to an increase in national wealth.

(49) We have shown that the following percentages of the total agricultural debts are owed to the following sources :—

Government	...	...	2·60
Co-operative Credit	...	...	2·75
Landlords	...	...	11·80
Mahajans	...	...	~~12·85~~ 82·85

(50) We have shown the purposes for which debts were incurred. For the province as a whole, 66 per cent was incurred for productive, and 34 per cent for non-productive purposes.

(51) We have explained in detail that one of the most serious defects in the present credit system is that no adequate facilities exist for discharging debts when they begin to assume serious proportions as they must inevitably do when a succession of bad years comes.

(52) In Chapter IV, we have also discussed the conditions of borrowing, and the parts played by different classes of banks, bankers, money-lenders and landlords, etc.

(53) We have pointed out the scope in Court of Wards villages for providing credit facilities for the tenantry, and recommended that in future the Court of Wards should at least do as much in this direction as is done by the ordinary malguzar who has the welfare of his tenants at heart.

(54) In Chapter V, we have considered the facilities required for financing short-term and intermediate agricultural loans, the facilities at present existing, and the parts played by different credit agencies. We have pointed out that, on the whole, the existing credit facilities for short-term and intermediate loans are adequate for present requirements, although we have stressed the need for some extension of Government's agricultural loan operations in the backward tracts of the province, particularly in the ryotwari estates.

(55) We have also alluded to the need for the controlling of money-lenders by regulation and licence—a matter which we have discussed in greater detail in Chapter XII.

(56) In Chapter VI, we have stressed the need for adequate credit facilities for financing long-term loans at low rates of interest, and have pointed out that no adequate facilities at present exist.

PROVINCIAL LAND MORTGAGE BANK.

(57) We have placed on record our opinion that the establishment of a Provincial Land Mortgage Bank, for the amortization of old debts and for the provision of long-term loan facilities is urgently needed and would remove the main defects in the present system of agricultural finance. We have explained the reasons why one provincial land mortgage bank, operating through branches where necessary in various parts of the province, is far preferable to a number of small land mortgage banks operating inedpendently. We have explained that the main requirements of agricultural finance at present are—

(i) Reduction in the rates of interest.

(ii) Provision of facilities for discharging accumulated debts.

(iii) Provision of facilities for investment and the development of the investment and thrift habit.

(58) We have stressed the urgent need for obtaining money for carrying on land mortgage business at the lowest possible market rate, and have pointed out that a provincial land mortgage bank, under proper management, will always be able to obtain money in the money market at a lower rate of interest than a number of small banks operating independently.

(59) We have also explained the greater financial stability which is obtained by a large bank, with risks distributed over various areas.

(60) We have also briefly reviewed the other reasons why a provincial institution is desirable. We have not recommended that the bank should be on a co-operative basis.

(61) We have explained that the major part of the resources of the land mortgage bank must be provided by debentures, and that these debentures should be included in the list of trustee securities.

(62) We have also recommended that half these debentures should be in the form of premium bonds.

(63) We have recommended that, until the resources of the land mortgage bank are fully developed, its operations should, in the first stage, be confined to the amortization of existing debts.

(64) We have explained in considerable detail the lines upon which, we consider, a land mortgage bank is likely to be successful, and have made proposals for special conditions to be established by law to facilitate recovery of debts and to secure the mortgage lien of the bank upon the property mortgaged.

(65) To prevent subsequent disputes by reversioners and minors, it should be prescribed by law that all loans made by the bank will be held to have been in the interests of the borrower.

(66) To secure public confidence and a steady flow of capital, the debentures must be guaranteed by Government. The safeguards which we recommend will, however, remove any danger of a loss to Government by this guarantee.

(67) We have also defined the other Government aid required to secure success.

(68) We have explained that the paying capacity of the borrower is the only satisfactory basis for calculating the limit of the loan to be advanced to him.

(69) For the maintenance of the financial stability of the bank, it is essential that the instalments, in which the debt is repayable, must be regularly and promptly recovered. There should be no suspension of recovery except in the years in which Government orders suspension of land revenue.

(70) To secure this regularity of recovery in years of poor harvests, annual annuities must be fixed at a sum well below the actual paying capacity in a normal year.

(71) To enable substantial loans to be advanced, it may, therefore, be necessary to fix repayment over a long period of years.

(72) It is equally necessary to encourage thrift and secure the investment of surpluses in the years of good harvests. We have, therefore, recommended also a Provident Fund scheme, under which the borrower will be required to make an annual contribution of a fixed sum to a provident or sinking fund bearing interest approximating to the interest charged him on the loan.

(73) Greater leniency can be shown in recovering contributions to the Provident Fund, suspensions being granted if required when the crop is poor, the arrears being recovered whenever the crop is good. This scheme will operate to secure investment of the surpluses of good years.

(74) The borrower may take advances from his provident fund for legitimate purposes. When the fund reaches a certain amount it can be applied to liquidating the balance of the mortgage debt.

(75) In actual operation, therefore, although the primary annuities payable towards the mortgage debt will often be spread over a long period of years, the addition of the provident fund scheme will result in the liquidation of the debt in a much shorter period.

(76) The land mortgage bank should also issue savings cash certificates for wide sale through co-operative societies, schoolmasters and patwaris, etc., etc.

(77) The land mortgage bank should work in close co-ordination with the co-operative Central Banks, and will be able to render financial assistance to them.

(78) The land mortgage bank should develop eventually into an apex land bank.

(79) We have pointed out that, although considerable difficulties must arise in an attempt to co-ordinate commercial and joint stock banks with existing agricultural credit agencies, the natural line of co-ordination of the other agricultural credit agencies of the province should be through the provincial land mortgage bank.

(80) We have explained that the amortization of accumulated debts through the agency of a provincial land mortgage bank will operate—

(i) to reduce the risks which are at present attendent on the advancing of loans to agriculturists, and thereby to reduce the present high rates of interest prevailing;

(ii) to set free large sums of capital of the existing agricultural credit agencies, which are at present locked up in these accumulated debts, thereby increasing the capital available for financing short-term loans and intermediate term loans through these agencies;

(iii) by granting long-term loans at low rates of interest, to produce a general reduction of the rates of interest prevailing in the agricultural money market;

(iv) to provide a safety valve against the heavy accumulation of debts in future owing to crop calamities and other misfortunes outside the control of the cultivator.

GOVERNMENT LOANS.

(81) We have next reviewed the present system of Government loans.

(82) **Agricultural Loans Act.**—We have pointed out that, in some cases, the amount of individual loans advanced is inadequate for the purpose required, and have recommended a revision of the present ordinary limit of five times the rent fixed under the present instructions.

(83) We have also recommended that a careful investigation should be now carried out to determine the tracts in which, owing to the backwardness of the cultivating classes, it is desirable, in the public interest, that Government taccavi operations should be extended.

(84) We have particularly stressed the need for an extension of taccavi operations in the ryotwari villages in which, owing to the fact that the ryots have no rights in land and are liable to ejectment for breach of certain conditions, the rates of interest charged are at present ruinously high.

(85) We have, however, not recommended that Government should attempt to descend into the arena of general moneylending or to compete with the existing credit agencies in those tracts, where the existing credit facilities for financing short-term and intermediate loans are found to be adequate.

(86) **Land Improvement Loans Act.**—We have urged the need for propaganda to familiarize the general rural public with the

facilities under this act, and to encourage land improvement particularly by the digging of wells for irrigation and intensive cultivation.

(87) Marketing.—In chapter VII, we have discussed the marketing of agricultural produce, in its various aspects.

(88) Agreeing with the Royal Commission on Agriculture we have pointed out that the middleman in spite of certain abuses is performing a very useful and necessary service.

(89) We have urged the very early enforcement of the Central Provinces Weights and Measures Act in all parts of the province, and have recommended that, in future, sale of agricultural produce should be by weight and not by measurement.

(90) Our enquiries show that the general body of opinion is in favour of the establishment of licensed warehouses, particularly in the cotton zone.

(91) We, however, do not consider it desirable at present to encourage cultivators to hold up for a rise in prices those crops whose market is controlled by world factors.

(92) We therefore do not recommend the introduction of the "Egyptian Cotton Scheme".

(93) For the better organization of markets of the Central Provinces we have recommended that a law, on the lines of the Berar Cotton and Grain Markets Act, should be introduced, to control, on similar lines, all the wholesale markets of the Central Provinces.

(94) Undesirable persons should not be licensed as dalals or brokers.

(95) We have also recommended the appointment of a District Marketing Officer to see that the rules and regulations under the Law are strictly and adequately enforced.

(96) We have recommended the issue of fortnightly bulletins of the general state of the market in rural areas.

(97) At the end of this chapter, we have discussed the methods of financing the marketing of produce for internal and external trade, and the part played by different credit agencies in the matter, and have suggested the desirability of a more liberal policy in the business of the Imperial Bank in future.

(98) In Chapter VIII we have discussed the present organization and distribution of internal trade and the part played in financing these operations by different credit agencies.

(99) In Chapter IX, we have reviewed the industries of the province, including Cottage Industries, and have discussed the need for improving credit facilities and for organizing markets.

(100) We have pointed out the need for an industrial bank, and we have also urged that, on the appointment of a Development Board with an independent executive officer, special efforts should be made to organize industries in the smaller towns where unemployment is at present a serious problem.

(78) The land mortgage bank should develop eventually into an apex land bank.

(79) We have pointed out that, although considerable difficulties must arise in an attempt to co-ordinate commercial and joint stock banks with existing agricultural credit agencies, the natural line of co-ordination of the other agricultural credit agencies of the province should be through the provincial land mortgage bank.

(80) We have explained that the amortization of accumulated debts through the agency of a provincial land mortgage bank will operate—

(i) to reduce the risks which are at present attendent on the advancing of loans to agriculturists, and thereby to reduce the present high rates of interest prevailing;

(ii) to set free large sums of capital of the existing agricultural credit agencies, which are at present locked up in these accumulated debts, thereby increasing the capital available for financing short-term loans and intermediate term loans through these agencies;

(iii) by granting long-term loans at low rates of interest, to produce a general reduction of the rates of interest prevailing in the agricultural money market;

(iv) to provide a safety valve against the heavy accumulation of debts in future owing to crop calamities and other misfortunes outside the control of the cultivator.

GOVERNMENT LOANS.

(81) We have next reviewed the present system of Government loans.

(82) **Agricultural Loans Act.**—We have pointed out that, in some cases, the amount of individual loans advanced is inadequate for the purpose required, and have recommended a revision of the present ordinary limit of five times the rent fixed under the present instructions.

(83) We have also recommended that a careful investigation should be now carried out to determine the tracts in which, owing to the backwardness of the cultivating classes, it is desirable, in the public interest, that Government taccavi operations should be extended.

(84) We have particularly stressed the need for an extension of taccavi operations in the ryotwari villages in which, owing to the fact that the ryots have no rights in land and are liable to ejectment for breach of certain conditions, the rates of interest charged are at present ruinously high.

(85) We have, however, not recommended that Government should attempt to descend into the arena of general moneylending or to compete with the existing credit agencies in those tracts, where the existing credit facilities for financing short-term and intermediate loans are found to be adequate.

(86) **Land Improvement Loans Act.**—We have urged the need for propaganda to familiarize the general rural public with the

facilities under this act, and to encourage land improvement particularly by the digging of wells for irrigation and intensive cultivation.

(87) Marketing.—In chapter VII, we have discussed the marketing of agricultural produce, in its various aspects.

(88) Agreeing with the Royal Commission on Agriculture we have pointed out that the middleman in spite of certain abuses is performing a very useful and necessary service.

(89) We have urged the very early enforcement of the Central Provinces Weights and Measures Act in all parts of the province, and have recommended that, in future, sale of agricultural produce should be by weight and not by measurement.

(90) Our enquiries show that the general body of opinion is in favour of the establishment of licensed warehouses, particularly in the cotton zone.

(91) We, however, do not consider it desirable at present to encourage cultivators to hold up for a rise in prices those crops whose market is controlled by world factors.

(92) We therefore do not recommend the introduction of the "Egyptian Cotton Scheme".

(93) For the better organization of markets of the Central Provinces we have recommended that a law, on the lines of the Berar Cotton and Grain Markets Act, should be introduced, to control, on similar lines, all the wholesale markets of the Central Provinces.

(94) Undesirable persons should not be licensed as dalals or brokers.

(95) We have also recommended the appointment of a District Marketing Officer to see that the rules and regulations under the Law are strictly and adequately enforced.

(96) We have recommended the issue of fortnightly bulletins of the general state of the market in rural areas.

(97) At the end of this chapter, we have discussed the methods of financing the marketing of produce for internal and external trade, and the part played by different credit agencies in the matter, and have suggested the desirability of a more liberal policy in the business of the Imperial Bank in future.

(98) In Chapter VIII we have discussed the present organization and distribution of internal trade and the part played in financing these operations by different credit agencies.

(99) In Chapter IX, we have reviewed the industries of the province, including Cottage Industries, and have discussed the need for improving credit facilities and for organizing markets.

(100) We have pointed out the need for an industrial bank, and we have also urged that, on the appointment of a Development Board with an independent executive officer, special efforts should be made to organize industries in the smaller towns where unemployment is at present a serious problem.

(101) We have also discussed the industries subsidiary to agriculture and the possiblities of developing cultivation and assisting the cultivator through these means.

(102) We have endorsed certain recommendations made by the Industrial Commission.

(103) The appointment of a separate whole-time Director of Industries with a proper staff is necessary.

(104) In future the duties of the Industries Department should not be confined to demonstration and introduction of improved mechanical processes, but should extend to the organization of credit and of adequate marketing facilities before any attempt to increase production is made.

(105) Legislation on the lines of the State Aid to Industries Bill of 1920, which was dropped through disagreement between the Government and the Legislative Council as to certain of its provisions, is urgently required.

(106) Although co-operative credit societies of artizans have not up to now been successful, it is possible that co-operation may still solve the problem of providing credit facilities to small industries if persistent training of the members of societies in their functions is given, and supervision is maintained.

(107) The staff for training and supervising these industrial societies might well be under the direct control of the Director of Industries.

(108) Until a proper industrial survey is made, showing which industries are suited to each locality and have a reasonable chance of success, it is impossible to make more detailed recommendations.

(109) We have explained the important part which the Provincial and District Economic Development Boards, recommended in Chapter XV, can play in this direction.

(110) In Chapter X, we have discussed remittance facilities and instruments of credit, and have pointed out that, in this province, there is no demand for bearer hundis.

(111) As regards 61-days hundis, we have pointed out that these are often used for raising short-term commercial loans. We are, however, in favour of reduction of duty on these instalments of credit to the lowest possible rate.

(112) We have recommended the standardization of Bills as far as is possible; but have recommended, with regard to Marwari hundis, that the all-india Marwari Chamber of Commerce should be consulted in the matter.

(113) As it is essential to develop the free circulation of the hundi as an instrument of credit, it should be bilingual, *i.e.*, in English as well as in the vernacular. This will encourage the commercial banks to discount a much larger number of hundis than they do at present.

(114) We are in agreement with the banking and commercial opinion that the holders of cheques and hundis should have a right to protect themselves by making them payable to order.

(115) We have stressed the need for the organization of a system of Banker's clearing houses.

(116) We have also recommended that the postal department should pay in future an increased part in some forms of remittance, including the issue of letters of credit for travellers, pilgrims, etc.

(117) Chapter XI.—As regards co-operation, we have explained the essential need for the training of primary societies to perform their special functions of contact with, and control of, individual borrowing members, if the movement is to prosper.

(118) We have explained that at present the movement has reached only 2 per cent of the families in rural areas, while the total outstandings due from societies represent a little over 3 per cent of the total agricultural debt, and much of this is overdue arrears.

(119) Our enquiries show that the average member of a society is more heavily indebted than non-members.

(120) It is now fully realized that the Central Banks whose resources consist mainly of short-term deposits cannot do long-term business on a large scale. Nor is the co-operative movement a fit agency for discharging prior debts.

(121) New societies should be confined to seasonal short-term loan business until they have been properly trained in their functions.

(122) Many of the outstanding arrears are due to misguided attempts in the past to use the co-operative movement as an agency for discharging prior debts, a work which can only be performed by a land mortgage bank.

(123) A sufficient staff of persons with proper educational qualifications is required for training the primary societies at the earliest possible date. We entirely agree in this respect with the Royal Commission on Agriculture and the Tenth Conference of Registrars.

(124) An adequate flow of deposits to Central Banks continues, and there is no need for special action to increase their working resources at present.

(125) The co-operative movement can perform the best service to the community by developing the thrift and investment habit in rural areas and by providing investment facilities.

(126) Mere competition with the indigenous money-lender in the business of money-lending is not enough.

(127) Though the Central Banks have stimulated the investment habit in urban areas, in rural areas their achievements in this respect have been practically *nil*.

(128) Sale and supply societies should also be encouraged.

(129) We agree with the Royal Commission on Agriculture that there should be a separate whole-time Registrar.

(130) We have recommended certain financial concessions to the Central Banks.

(131) There seems no prospect of an early increase in the number of branches of the big commercial banks.

(132) We have explained, however, that there appears to be no reason why those Central Banks, whose financial position and efficiency of management justifies such extension, should not be allowed to extend their banking business to remittance and discounting of bills.

(133) In Chapter XII, we have considered the legislation bearing upon the economic life and financial systems of the province.

(134) We have pointed out that the present restrictions on the rights of transfer by occupancy tenants and Government ryots operates to reduce their credit, and to increase the risks of lending money to them and interest charges.

(135) We have pointed out that all such restrictions as are not absolutely necessary should be removed, and have proposed the introduction of a Land Purchase Bill, to enable occupancy tenants to acquire the full rights of transfer in their land in those tracts in which, Government declares by notification, after due enquiry, that the cultivators are fit to exercise them.

(136) We have also recommended similar action with regard to ryotwari tenants.

(137) We have recommended the introduction, in the Central Provinces, of a record of right, similar to that at present in force in Berar.

(138) We have also made certain recommendations to reduce the law's delays, including the amendment of the Civil Procedure Code to remove the necessity for issue of preliminary notice to the judgment-debtor under rule 22, Order 8, Civil Procedure Code.

(139) We have pointed out that 61 per cent of the money suits are for sums of Rs. 100 and below, and have stressed the need for creation of panchayat courts for the trial of such suits. The Civil Justice Committee's recommendations are endorsed in this report.

(140) We have discussed the Usurious Loans Act and Insolvency Act, in some detail. As regards the Insolvency Act, we have recommended—

(i) the creation of an independent whole-time insolvency court;

(ii) the appointment of regular receivers in insolvency; and

(iii) the amendment of the law, whereby courts would be empowered to annul discharges in insolvency on breaches of condition;

and that, in all but exceptional cases, an order of discharge should be conditional and not absolute.

(141) We have explained why the Royal Commission on Agriculture's proposal for a Rural Insolvency Act is not suited to this province.

(142) We have recommended the amendment of the Central Provinces Tenancy Act to enable courts to appoint receivers for managing occupancy tenancy land of insolvents.

(143) We have explained that the real purpose and effect of the Insolvency Act is not generally understood, and have recommended that its main provisions should be explained in a pamphlet in the vernacular, which should be widely distributed.

(144) We have explained the inevitable limitations of a law like the Usurious Loans Act. This Act can give relief in individual hard cases, but cannot operate to control the money market so as to produce a general reduction in the existing rates of interest.

LICENSING OF MONEY-LENDERS.

(145) We have separately considered the need for the regulation of money-lenders by licence.

(146) We have recommended that the profession of money-lending should be made illegal without a licence, and that these licences should be freely obtainable on application at the nearest post office, where a register will be maintained, of all those persons taking out licences, a copy of the entries being forwarded to the District Judge and District Magistrate for record in their offices.

(147) We have recommended that these licences should contain certain conditions, a breach of any of which will render the licence liable to cancellation by the District Judge, after due enquiry.

(148) We have, however, recommended that the revenue and executive officers should have nothing to do with the granting or cancellation of licences, beyond the performance of their obvious duty of reporting all breaches of conditions and malpractices to the District Judge for whatever action may appear to him to be necessary.

(149) The conditions which we have recommended are—

(i) that receipts should be granted on counterfoils for all repayments made;

(ii) that the account of each borrower be properly and separately maintained by each money-lender, and that copies of it should be supplied, on demand, to the borrower twice a year, and

(iii) we have also suggested the advisability of including the fixation of a maximum rate of interest.

(150) We have recommended that a breach of any of these conditions and proof of any of dishonesty, extortion, or malpractice should render the licence liable to cancellation by the District Judge.

(151) We have also recommended that the carrying on of the profession of money-lending without a licence or after the cancellation of a licence should be punished under the penal sections of the law.

(152) We consider that no other method will suffice for controlling the operations of the minority of unscrupulous persons such as Rohillas, Kabulis and extortionate money-lenders, who at present rely on their lathis rather than on the law and who rarely, if ever, bring their claims to court. But no stone should

be left unturned to make it plain to the money-lending classes that the object of these regulations is not to increase the control of Government over the money-lending profession as a whole, but to eliminate the black sheep and to purify the profession, and that none of these regulations will cause any hardship or difficulty to any money-lender who carries on his business in an honourable and straightforward manner.

(153) **Indigenous Banks and Bankers.**—In part V, Chapters XIII and XIV, we have discussed, in detail, the important question of indigenous banks and bankers and other credit agencies. We have explained the difficulties in drawing any clear line of demarcation between the indigenous bankers and other indigenous credit agencies. We have explained that one of the main defects in the indigenous system of finance is that the indigenous bankers and financiers have not yet generally reached the stage of increasing their resources by inviting public deposits on a large scale. They have, therefore, not yet fully realized the need for publicity, and the need for winning and maintaining the confidence of the public as regards their financial operations.

(154) We have traced in detail the history of indigenous finance from the earliest times, and have pointed out that most indigenous bankers and money-lenders originated as traders or businessmen, and that there are very few who confine themselves solely to the business of banking. Nearly all also carry on, simultaneously with the work of money-lending, some other business which is often of a risky and speculative nature.

(155) While explaining the great services which the indigenous financiers have performed in financing the requirements of agriculture from time immemorial, we have pointed out that the time has now come when their methods of business should be brought into line with the methods of modern financing agencies.

(156) **Formation of Private Banking Companies.**—We have explained the practical impossibility of linking up the indigenous banks and bankers with the general banking system at present, and have recommended that they should now form themselves for the purpose of banking into private Companies in which they should invest a portion of their capital, set apart from the capital employed by them in other business, and that each private banking company should be conducted with its separate capital under separate management, the proprietors working only as directors.

(157) We have explained how this development would facilitate the co-ordination of the various banking agencies and the development of the Cheque and Banking habit.

(158) Government should give all possible encouragement and facilities to such private banks if and when formed; and subject to such safeguards as may appear necessary for the security of the public funds, should recognize these private banks as Government Bankers, and allow them to hold Government balances at those district head-quarters where no branches of the Imperial Bank of India exist.

(159) We have also recommended that, by these and other gestures, Government should do everything possible to remove

the misunderstanding which at present exists, and to prove that the object of Government is not to destroy the indigenous bankers, but to help them and to increase their financial stability and prosperity.

(160) In Chapter XIV, we have separately discussed the money-lenders and shroffs, and have explained why we consider it necessary to regulate the money-lenders by licence, in order to prevent the possibility of abuses by Rohillas, Kabulis and other unscrupulous money-lenders.

(161) We have, however, pointed out that, although we have considered it necessary to regulate the profession of money-lending, in the same manner as many other professions are regulated, we realize that a large proportion of the indigenous mahajans and shroffs are persons of good reputation and straightforward dealings, and we have, therefore, recommended a form of regulation which will not cause any difficulty or hardship to them in the carrying on of their business.

(162) We have tentatively proposed the fixation of a maximum rate of interest. We have explained that the Law of *Damdupat* as applied by the courts in Berar appears only to accelerate the filing of suits and the renewal of bonds. We do not recommend its extension to the Central Provinces.

BANKING LAW.

(163) In Chapter XV, we have urged the need for restricting the use of the title "Bank".

(164) We have explained that it is at present possible for small concerns to obtain a greater prestige than their financial position merits in the eyes of the public, by styling themselves as banks. We have urged the need for increasing the confidence of the public in all legitimate banking institutions in order to encourage a banking habit.

(165) We have also recommended the enforcement, by law, of certain restrictions on the business of banking; that is to say—

(1) the maintenance of an adequate cash reserve;
(2) a minimum paid up capital;
(3) the regular publication of accounts;
(4) prohibition on granting loans to directors and superior employees of the bank, or to concerns in which the share-holders and directors themselves are interested;
(5) fixation of the amount of loan which can be advanced to any individual person concerned so as to prevent the concentration of the risks of banking in one quarter.

(166) We have also recommended that the spreading of false rumours likely to undermine public confidence in a banking institution should be punishable with a deterrent sentence.

(167) **Banking Education and Commercial Training.**—We have then proceeded to explain the urgent need for facilities for education in banking and commerce. We have recommended the addition of banking and co-operation as an optional subject in the Vernacular and Anglo-Vernacular Middle Schools and in the

High Schools, to enable the sons of bankers and money-lenders and others to acquire knowledge in modern methods of banking.

(168) We have also recommended the establishment of a University course in the science of banking and commerce to enable undergraduates to obtain training as bankers, so that they may assist in the modernization of indigenous banks and become fitted for employment in the co-operative banks and other banking institutions.

(169) We have explained that at present no such facilities exist and that no modernization of the age long business of the indigenous money-lenders can be expected until it becomes possible for the rising generation to obtain education in more modern methods.

(170) **Provincial and district economic Development Boards.**—Lastly in this chapter, we have explained the need for the establishment of a separate Provincial Economic Development Board with similar District Boards in all the districts of the province.

(171) We have explained the nature of the duties to be performed by these Boards, and have pointed out that although the Ministry is jointly responsible for the administration of the separate departments, it cannot alone operate to secure that complete co-ordination and continuity of effort, which is required for the intensive campaign of rural reconstruction and economic development which we recommend.

(172) We have pointed out the necessity for employing a whole-time executive officer with a separate staff for implementing the proposals of the Provincial Development Board, for securing continuity, and for giving expert advice from time to time, on technical questions.

(173) **Rural reconstruction.**—We have explained in brief the lines of rural reconstruction and economic development to be followed, and have pointed out that no form of rural uplift will serve any purpose in which economic development does not take the first place.

(174) We have discussed a scheme of rural reconstruction put before us by our Chairman, which we trust will be widely adopted

(175) We have recommended in the beginning an intensive campaign in selected villages situated at convenient distances from one another preferably in the bazar villages, and have suggested that some 25 villages per tahsil could be selected for this purpose. We have recommended that, in these villages, officers of all Government departments in the district, co-operative credit workers and other non-officials should concentrate in an intensive campaign for the economic and moral reconstruction of those villages, so as to make them model villages for the country-side.

(176) **Village Panchayats and Co-operative Societies.**—We have pointed out the urgent need for the creation of village panchayats in all these villages at the commencement of operations, and have recommended the establishment of co-operative societies not only for providing credit and investment facilities, but also to perform the functions of co-operative sale and supply societies.

(177) We have suggested that in the beginning, it might be advisable for the provincial land mortgage bank to concentrate its operations on these villages, until its resources have increased sufficiently to extend further its activities.

(178) We have stressed the need for education in thrift and for an intensive investment campaign, and have recommended the revision of the vernacular school curricula for this purpose, and, in the villages selected for rural reconstruction, the introduction of compulsory education where necessary.

(179) In Chapter XVI, we have discussed the investment habit and the attraction of capital.

(180) We find that in urban areas investment facilities are on the whole adequate for the present and that the habit of thrift and investment, especially among the learned professions, is rapidly spreading.

(181) We have explained, however, that at present no adequate facilities exist for capital investment in rural areas. In many parts of the province there is not more than one post office savings branch per 500 square miles, while the provincial average is one per 182.5 square miles.

(182) In a country like India with extreme variations in crop outturn, where the profession of agriculture may in any year show a deficit, there is no course open to the cultivator but to put by savings in the good years, if he is to avoid borrowing in the bad.

(183) We have explained that many cultivators do put by a certain capital reserve in the form of cattle, grain and jewellery, etc.

(184) Before money became the general medium of exchange surplus capital was in the form of grain and cattle. In time with the increasing use of money as a medium of exchange, savings were gradually converted in an increasing degree into cash and precious metals.

(185) Unfortunately, however, no corresponding facilities for investment, such as modern finance provides, were created in rural areas.

(186) We have also explained how in the past no real attempt to encourage the investment habit in rural areas has been made.

(187) Although the habit of hoarding bullion appears to be dying out, cultivators *faute de mieux* apply a considerable portion of their surpluses to the purchase of gold and silver jewellery.

(188) We have pointed out that although natural instincts of chivalry have impelled mankind in all ages to expend some portion of their income on the adornment of their female relations, and although gold and silver jewellery serve as an adornment in times of prosperity and as a rough form of capital reserve when the bad times come, the loss to the individual over realization is considerable.

(189) We have also explained why the reactions upon the nation's prosperity arising from the withdrawal of bullion into private possession are far more serious.

(190) We have exhibited in Chapter XVI the results of our enquiries into this question.

(191) We found in our economic village surveys that, according to the cultivators' own statements the total value of the gold and silver ornaments owned by families, rich and poor, represented an all round average of Rs. 144 per family, though the figures vary considerably in different parts of the province.

(192) This average would indicate that the total value of the gold and silver ornaments owned by the landlords and cultivators of this province exceeds 19 crores of rupees.

(193) We have stressed the urgent need for a concentrated campaign for developing the habit of investment and for providing adequate investment facilities in rural areas.

(194) We have explained why this is in our opinion one of the most urgent needs of rural India today.

(195) For this purpose we have recommended the extension of the number of post office savings banks in rural areas.

(196) We have also recommended the concentration of the co-operative movement on developing the thrift and investment habit, and the provision of facilities for the sale of postal cash certificates and similar cash certificates to be issued by the land mortgage bank, through the co-operative Central Banks and societies and also through patwaris and schoolmasters on commission.

(197) We have made certain other proposals for improving such facilities as exist at present.

(198) We have also urged the need for the establishment of investment trusts and for provincial savings associations, and have pointed out that much can be done in this line through the co-operative credit movement.

(199) We have recommended that the organization of associations of this kind should be one of the principal duties of the Development Boards.

(200) For the encouragement of the cheque habit, we have recommended that cheques should be bilingual, *i.e.*, both in English and in the Vernacular. We have also suggested the possibility of using the post office branches as banking institutions.

(201) A perusal of the report will show that, as a result of our enquiries, we are satisfied that one of the main economic needs of the province at present is the development of the investment habit and the creation of adequate facilities for investment in rural areas. We have pointed out in Chapter IV that, if the business of money-lending were not a profitable one, we should not be finding day by day an increase in the number of money-lenders. We have explained that, if as a matter of fact the cultivating classes can repay a sufficient amount of the money which they borrow, to make the business of money-lending profitable, there is clearly, scope, by the development of the investment habit, in course of time to build up a capital reserve so as to make them financially independent.

(202) We have stressed the urgent need for the establishment of a provincial land mortgage bank, and we have also brought to notice the need for the re-organization and training of the co-operative credit societies to a proper performance of their functions, and the concentration of the movement in future on the investment and savings rather than upon mere money-lending.

(203) We also look forward to a gradual extension of the movement to the formation of co-operative societies of other kinds such as, co-operative sales societies, co-operative seed and farming societies, etc., etc.

(204) We have also made it plain in this report that one of the main causes of whatever defects exist in the economic system in rural areas lies in the ignorance and illiteracy of the masses, particularly the ignorance of the masses with regard to the subject of investment.

(205) We feel very strongly that whatever credit or savings facilities may be created, they can never serve their full purpose until the dwellers in rural areas have received proper education, and we have therefore stressed the need for the rapid development of education in rural areas.

ACKNOWLEDGMENTS.

2311. We have already in Chapter I expressed our gratitude to a number of gentlemen, who assisted us in our enquiries. To all those others who have also helped us in our labours we offer our very sincere thanks. Without the generous help which we have received, it would have been impossible for us to cover so large a field of investigation in the time at our disposal.

2312. We desire to place on record our appreciation of the hard work and ungrudging service to the Committee of our Secretary, Mr. N. R. Chandorkar.

2313. The arduous nature of his duties can be judged from the volume and character of this report and of the appendices. He has well maintained his reputation for hard work, despatch and loyalty of service.

CONCLUSION.

2314. The field of investigation, which we have been required to cover, is so wide that of necessity conflicting opinions upon many of the subjects with which we have had to deal, are held, and have been expressed before us. We have, however, refused to be influenced by any pre-conceived ideas, and have kept an open mind throughout our enquiries.

2315. The unanimous recommendations contained in this report are based on the conclusions resulting from our personal investigations in all parts of the province.

High Schools, to enable the sons of bankers and money-lenders and others to acquire knowledge in modern methods of banking.

(168) We have also recommended the establishment of a University course in the science of banking and commerce to enable undergraduates to obtain training as bankers, so that they may assist in the modernization of indigenous banks and become fitted for employment in the co-operative banks and other banking institutions.

(169) We have explained that at present no such facilities exist and that no modernization of the age long business of the indigenous money-lenders can be expected until it becomes possible for the rising generation to obtain education in more modern methods.

(170) **Provincial and district economic Development Boards.**—Lastly in this chapter, we have explained the need for the establishment of a separate Provincial Economic Development Board with similar District Boards in all the districts of the province.

(171) We have explained the nature of the duties to be performed by these Boards, and have pointed out that although the Ministry is jointly responsible for the administration of the separate departments, it cannot alone operate to secure that complete co-ordination and continuity of effort, which is required for the intensive campaign of rural reconstruction and economic development which we recommend.

(172) We have pointed out the necessity for employing a whole-time executive officer with a separate staff for implementing the proposals of the Provincial Development Board, for securing continuity, and for giving expert advice from time to time, on technical questions.

(173) **Rural reconstruction.**—We have explained in brief the lines of rural reconstruction and economic development to be followed, and have pointed out that no form of rural uplift will serve any purpose in which economic development does not take the first place.

(174) We have discussed a scheme of rural reconstruction put before us by our Chairman, which we trust will be widely adopted

(175) We have recommended in the beginning an intensive campaign in selected villages situated at convenient distances from one another preferably in the bazar villages, and have suggested that some 25 villages per tahsil could be selected for this purpose. We have recommended that, in these villages, officers of all Government departments in the district, co-operative credit workers and other non-officials should concentrate in an intensive campaign for the economic and moral reconstruction of those villages, so as to make them model villages for the country-side.

(176) **Village Panchayats and Co-operative Societies.**—We have pointed out the urgent need for the creation of village panchayats in all these villages at the commencement of operations, and have recommended the establishment of co-operative societies not only for providing credit and investment facilities, but also to perform the functions of co-operative sale and supply societies.

(177) We have suggested that in the beginning, it might be advisable for the provincial land mortgage bank to concentrate its operations on these villages, until its resources have increased sufficiently to extend further its activities.

(178) We have stressed the need for education in thrift and for an intensive investment campaign, and have recommended the revision of the vernacular school curricula for this purpose, and, in the villages selected for rural reconstruction, the introduction of compulsory education where necessary.

(179) In Chapter XVI, we have discussed the investment habit and the attraction of capital.

(180) We find that in urban areas investment facilities are on the whole adequate for the present and that the habit of thrift and investment, especially among the learned professions, is rapidly spreading.

(181) We have explained, however, that at present no adequate facilities exist for capital investment in rural areas. In many parts of the province there is not more than one post office savings branch per 500 square miles, while the provincial average is one per 182.5 square miles.

(182) In a country like India with extreme variations in crop outturn, where the profession of agriculture may in any year show a deficit, there is no course open to the cultivator but to put by savings in the good years, if he is to avoid borrowing in the bad.

(183) We have explained that many cultivators do put by a certain capital reserve in the form of cattle, grain and jewellery, etc.

(184) Before money became the general medium of exchange surplus capital was in the form of grain and cattle. In time with the increasing use of money as a medium of exchange, savings were gradually converted in an increasing degree into cash and precious metals.

(185) Unfortunately, however, no corresponding facilities for investment, such as modern finance provides, were created in rural areas.

(186) We have also explained how in the past no real attempt to encourage the investment habit in rural areas has been made.

(187) Although the habit of hoarding bullion appears to be dying out, cultivators *faute de mieux* apply a considerable portion of their surpluses to the purchase of gold and silver jewellery.

(188) We have pointed out that although natural instincts of chivalry have impelled mankind in all ages to expend some portion of their income on the adornment of their female relations, and although gold and silver jewellery serve as an adornment in times of prosperity and as a rough form of capital reserve when the bad times come, the loss to the individual over realization is considerable.

(189) We have also explained why the reactions upon the nation's prosperity arising from the withdrawal of bullion into private possession are far more serious.

(190) We have exhibited in Chapter XVI the results of our enquiries into this question.

(191) We found in our economic village surveys that, according to the cultivators' own statements the total value of the gold and silver ornaments owned by families, rich and poor, represented an all round average of Rs. 144 per family, though the figures vary considerably in different parts of the province.

(192) This average would indicate that the total value of the gold and silver ornaments owned by the landlords and cultivators of this province exceeds 19 crores of rupees.

(193) We have stressed the urgent need for a concentrated campaign for developing the habit of investment and for providing adequate investment facilities in rural areas.

(194) We have explained why this is in our opinion one of the most urgent needs of rural India today.

(195) For this purpose we have recommended the extension of the number of post office savings banks in rural areas.

(196) We have also recommended the concentration of the co-operative movement on developing the thrift and investment habit, and the provision of facilities for the sale of postal cash certificates and similar cash certificates to be issued by the land mortgage bank, through the co-operative Central Banks and societies and also through patwaris and schoolmasters on commission.

(197) We have made certain other proposals for improving such facilities as exist at present.

(198) We have also urged the need for the establishment of investment trusts and for provincial savings associations, and have pointed out that much can be done in this line through the co-operative credit movement.

(199) We have recommended that the organization of associations of this kind should be one of the principal duties of the Development Boards.

(200) For the encouragement of the cheque habit, we have recommended that cheques should be bilingual, *i.e.*, both in English and in the Vernacular. We have also suggested the possibility of using the post office branches as banking institutions.

(201) A perusal of the report will show that, as a result of our enquiries, we are satisfied that one of the main economic needs of the province at present is the development of the investment habit and the creation of adequate facilities for investment in rural areas. We have pointed out in Chapter IV that, if the business of money-lending were not a profitable one, we should not be finding day by day an increase in the number of money-lenders. We have explained that, if as a matter of fact the cultivating classes can repay a sufficient amount of the money which they borrow, to make the business of money-lending profitable, there is clearly, scope, by the development of the investment habit, in course of time to build up a capital reserve so as to make them financially independent.

(202) We have stressed the urgent need for the establishment of a provincial land mortgage bank, and we have also brought to notice the need for the re-organization and training of the co-operative credit societies to a proper performance of their functions, and the concentration of the movement in future on the investment and savings rather than upon mere money-lending.

(203) We also look forward to a gradual extension of the movement to the formation of co-operative societies of other kinds such as, co-operative sales societies, co-operative seed and farming societies, etc., etc.

(204) We have also made it plain in this report that one of the main causes of whatever defects exist in the economic system in rural areas lies in the ignorance and illiteracy of the masses, particularly the ignorance of the masses with regard to the subject of investment.

(205) We feel very strongly that whatever credit or savings facilities may be created, they can never serve their full purpose until the dwellers in rural areas have received proper education, and we have therefore stressed the need for the rapid development of education in rural areas.

ACKNOWLEDGMENTS.

2311. We have already in Chapter I expressed our gratitude to a number of gentlemen, who assisted us in our enquiries. To all those others who have also helped us in our labours we offer our very sincere thanks. Without the generous help which we have received, it would have been impossible for us to cover so large a field of investigation in the time at our disposal.

2312. We desire to place on record our appreciation of the hard work and ungrudging service to the Committee of our Secretary, Mr. N. R. Chandorkar.

2313. The arduous nature of his duties can be judged from the volume and character of this report and of the appendices. He has well maintained his reputation for hard work, despatch and loyalty of service.

CONCLUSION.

2314. The field of investigation, which we have been required to cover, is so wide that of necessity conflicting opinions upon many of the subjects with which we have had to deal, are held, and have been expressed before us. We have, however, refused to be influenced by any pre-conceived ideas, and have kept an open mind throughout our enquiries.

2315. The unanimous recommendations contained in this report are based on the conclusions resulting from our personal investigations in all parts of the province.

2316. The nature of the material which we have collected during these enquiries can be best appreciated by a perusal of the volumes of appendices which accompany this report.

2317. Our one regret is that the time at our disposal was so limited.

2318. We trust, however, that our labours will not be found to have been wasted, and will lead the way in due course to an era of increased prosperity and better living for those inarticulate millions of our fellow-subjects, whose advancement we so deeply desire, and upon whose economic amelioration the whole future of the country depends.

J. G. BOURNE, I.C.S.,
Chairman.

R. N. BANERJEE, I.C.S.,
Vice-Chairman.

A. C. SEN GUPTA, I.E.S.,
Indian Economist.

K. V. BRAHMA, C.I.E., M.B.E.,
Co-operative Expert.

M. G. DESHPANDE,
Representative of Agricultural interests.

D. LAXMINARAYAN, MEMBER COUNCIL OF STATE,
Representative of Commerce.

NARSINGDAS K. DAGA,
Indigenous Banker.

P. D. PUNDLIK, M.L.C.,
Representative of Urban Interests.

N. R. CHANDORKAR,
Secretary.

GPN—2737—CS—24-7-30—645.

GENERAL INDEX.

[The figures refer to paragraphs.]

	PARAS.
Abadi	... 194—200
Abbe Dubois	.. 795
Acts—	
Agriculturists' Loans	... 621
Consolidation of Holdings	...1615—1625
Insolvency	...1702—1771
Land Alienation	... 1594-1595
Land Improvement Loans	... 622
Land Purchase	...1608—1614
Money-lenders	...1661—1701
Negotiable Instruments—Amendment of	...1362—1364
Tenancy	... 1589
Usurious Loans	...1626—1660
State Aid to Industries	... 1312
Village Panchayat	...1065, 1312, 2178
Weights and Measures	... 1059
Adatyas—	
Charges against	...1107—1110
Financing by	... 1070, 2056
Agriculture—	
Department of	...2156, 2163, 2179, 2180
Royal Commission on	...1078, 1465, 1505—1511, 1519, 1554, 1751—1753, 2144, 2168
Agricultural Bank—Need for	... 897-898
Association—Provincial Savings	... 2297
Average—	
Cost of cultivation	... 390
Cost of maintenance	... 362
Holding	... 428—451
Profits from agriculture	... 418
Rent	... 394-395
Tenant	... 288
Village	... 192, 193, 263
Bandhor	... 2039
Banks—	
Co-operative	... 607—615, 1379—1562, 2204—2208
Exchange	... 568
Imperial	... 544—560

	PARAS.
Banks—*concld.*	
Indigenous	... 569—606
Joint Stock	... 561—567, 2209—2213
Land Mortgage	... 873-874, 919—993
Postal Savings	... 616—619, 2201—2203, 2264—2268, 2277—2283
Private	... 568
Restriction on use of term	...2112—2114
Bankers—	
Definition of	... 569—573, 1843—1845
Different classes of	... 569—600,
Functions of	...1833—1834
Part played in financing agriculture and improvement to land	548—550, 563—567, 906, 907
Part played in financing trade	... 551, 552, 561, 562, 563—566, 573
Part played by in financing industries	... 1216-1217
Methods of business	...1929—1937
Lines and terms of advances	... 1938
Establishment	...1955—1961
Interest they charge and evils resulting from high rate.	1940—1950
Remedy suggested	...1951—1954
Their clientele	...1962—1972
Banking—	
Indigenous	... 569—606, 2011
History of	...1847—1876
Methods of business	...1919—1928
Growth of banking habit	... 2302-2303
Lines and terms of advances	... 1938-1939
Interest	...1940—1942
Other surcharges	...1943—1946
Establishment	...1955—1961
Shy to finance industries	... 1216
Linking with general banking system	... 895-896 1993-1994
Future of	1996—2000
Elasticity of	... 861
The good and bad points of	... 862—864
Modern	... 1489
Description and method of working of	... 544—568

	PARAS.
Banking—*concld.*	
Use of vernacular scripts in	... 2131-2132
Banking law—	... 2115-2116
Proposed amendment to	...2119—2133
Need for education in	2117—2118, 2133—2137
Bazar Village	... 234—253
Bentham, J., Mr.	... 1878, 1627
Bills—	
Standardisation of	... 1360
Reduction of duty on	... 1358
Bird, M., Mr.—	... 1578
Board of Economic Enquiry—	... 1547 2138—2143
Need for	...2144—2194
Functions of	...2160—2171
Board—development—need of	... 2272
Borrowing—	
Conditions of	885—889, 910—912
Effect of—on disposal of produce	...1069—1073
Budgets—family	... 346—370
Cases—	
Delay in disposal of	.. 1793—1818
Duration of	... 1794
Duration of appeals	... 1795
Duration of rent suits	...1807—1811
Delay prejudicial to both debtors and creditors	...1796—1799
Cattle—Value of	... 2242
Central Provinces and Berar—Description of	... 63—77
Cheques—Growth of cheque habit	...2304—2308
To be bilingual	... 2307
Chitnavis, Sir S. M.	.. 1913—1916
Committee—Provincial Banking Enquiry—	
Appointment of	... 1—4
Procedure of work	.. 6—14
Work done by	... 45—47
Terms of reference to	... 5
Itinerary of	... 29—44
Difficulties of	... 58—62
Recording of Evidence	... 51—56
Cost of	... 57
Financial relations	... 1063
Civil Justice Committee	...1714—1719, 1744, 1813—1818
Communications—	...1061—1065
Co-operation—	
Origin and History of	...1379—1414

PARAS.

Co-operation—*concld.*
Period of experiment ... 1381
Period of expansion ...1382—1397
Period of deterioration ...1398—1402
Period of reconstruction ...1403—1414
Existing difficulties and defects ...1433—1501
Adequacy as a banking agency ...1488—1501
Future line of development ...1502—1556
Desirability of granting financial and other concessions by Government. 1557—1559
Desirability of borrowing and lending on Provincial scale. 1560
Relations with Imperial and other Joint Stock Banks. 1561
Alleged competition with Joint Stock Banks . . 1562
Antipathy against the movement ... 869—872

Co-operative Institutions—
(*a*) Bank—Provincial Banks ... 1393-1397
Central Banks ... 1390—1392
(*b*) Societies—(1) Agricultural Primary Credit Societies with unlimited liabilities. 1383 (*a*)
(2) Non-agricultural Credit Societies with unlimited liabilities. 1387
(3) Non-agricultural Credit Societies with limited liabilities. 1389, 1400
Non-agricultural Credit Societies with unlimited liabilities. 1409
Reorganization of ... 1404
Liquidation of lifeless ... 1405
Reserve fund scheme for ... 1408
Rates of interest charged by ...1420—1421
Working capital and deposits of ... 1429
Training and Education of ... 1459
Average indebtedness of members of ... 1426
Members of—more heavily indebted than others. 1483—1486
As agencies to foster investment habit ...1476-1478, 1487. 1533
Not a suitable agency for for—payment of prior debts. 1471, 1474
Need for appointment of whole time Registrar of. 1554
Increase in number of societies and banks, an urgent need of the Province. 1496—1501
Co-operative shop for supply of raw material 1252—1253
Cornish, Mr. N. H. ... 1087

	PARAS.
Credit agencies—*concld.*	
Credit agencies.—Government	... 620—625 & 799—802
Co-operative	...607—615 & 803
Landlord	...592—599 & 804—805
Mahajan	...585—590 & 820—828
Part played by them in financing agriculture	.. 854—860, 906—.07
Co-ordination of	... 994—1002
Credit facilities—	
Required generally	... 851—853
Adequacy for short and intermediate loans	... 890
Need of, to liquidate old debts	... 891, 917—918
Evils arising from absence of agency for long term loans.	920—927
Case for a Land Mortgage Bank	... 928—993
Need for Provincial Land Mortgage Bank	... 919
Incorporation	... 932
Its functions	... 933—936
Loans advanced	... 937—942
Security for loans	... 943—944
Amount of loan	... 945—948
Repayments	... 949—951
Provident Fund	... 952—961
Recovery	... 953
Constitution of the Bank	... 962—974
Capital	... 963—965
Rights of share-holders and Directors	... 966
Appointment of Directors	... 967
Term of office	... 968
Advisory Committee	... 969
Management	... 970—971
Agents and Branches	... 972—974
Period of loans	... 975—976
Method of obtaining working capital	... 977—984
Debentures	... 978—981
Government Aid	... 985—989
Special conditions	... 990
Profits, Dividend and Reserve Fund	... 991
Re-examination of charter	... 992
Liquidation of	... 993
Credit Instruments—	
Bills—See under that head.	
Cheques—Negotiability of unusual	... 1347, 1357
Drafts	... 1357

	PARAS.
Credit Instruments—*concld.*	
Hundis—	
Dhanjog, Shahjog, Darshani, Mudati	... 1348
Methods of Negotiation	...1349—1355
Reduction of duty on mudati	... 1358
Need for bearer	... 1359
Promissory notes	... 1347
Railway Receipts	... 1356
Crops—	
Kinds of	... 105—154
Value of	... 396—409
Marketing of	... 410—416
Cropping double	... 150—154
Cultivation—	
Cotton	... 117—121
Gram	... 135
Kodon Kutki	... 129—130
Juar	... 122—128
Rice	... 107—116
Wheat (including Birra)	... 131—147
Mixed crops	... 148—149
Cost of	... 371—395
Outturn	... 396—409, 417—418
Dalal	...1052—1056
Damdupat—Rule of	...1873—1875
Darling, Mr.	... 10—14
Debt—Conciliation	... 841—850
Debts—Bad	...1947—1949
Debentures—of Land Mortgage Bank	... 977 (*b*), 978—984
Debentures of Co-operative credit inclusion of in the list of trustee secugities	... 1558
Deposits	... 977 (*a*)
Drafts—See under credit instruments.	
Economic World Conference	... 1088
Economics rural	... 316—345
Effect of borrowing on marketing—See under Borrowing.	
Egyptian Cotton Scheme	... 1085
Equitabie Mortgage—See under Mortgage.	
Economic Enquiry—Board of—See under Board.	
Evidence recording of	... 51—55
Extravagance of cultivators	... 504—506
Fard mazarian	... 15, 16
Farmer—Big	... 281—283
Ganj	... 1102

	PARAS.
Gaothan—	See Abadi.
Gantam	... 1873
Ghatate	... 1917
Hoarding { Habit of	...2233—2241
Hoarding { Origin of	... 2232
Holdings—Average	... 428—445
Imperial Bank—See under Banks—	
Constitution	... 544
Method of work	... 545—560
Complaints against	... 900-901
Income Subsidiary	... 453—469
Indebtedness—	
Volume and Distribution of	... 627—737
Methods of estimating including our sampling method,	15—26
Causes of—	... 746—768
(1) Land Revenue Policies of Government	... 746 (*a*)
(2) Improvidence and Extravagance of cultivators	... 746 (*b*)
(3) Unproductivity of the soil	... 746 (*c*)
(4) Un-economic Holdings	... 746 (*d*)
(5) Rapacity and dishonesty money-lenders	... 746 (*e*)
Effects of—	... 783—795, 1069—1073
(1) No freedom for disposal of produce	... 783—795
(2) Selling up of the debtor and his eviction.	785
(3) Reduction of the debtor to a state of slavery.	791
(4) General demoralising effect on cultivator	794
Industrial Bank	... 1218
Industrial Committee—Report of	... 1225
Industrial Sub-Committee	... 28
Industrial Commission—Proposals of	... 1302
Industrial School—Need for	... 1346
Industrial Notes	... Appendix G.
Industries organised	...1177—1218
Coal and Manganese mines Cotton Spinning and Weaving Mills Cotton Ginning and Pressing Factories	1177—1180
Potteries	... 1182
Oil Mills	...1191—1194
Glass Factories	...1195—1196
Rice Husking Mills	... 1200
Shellac Factories	...1201—1207
Bidi Factories	...1208—1214
Flour Mills	... 1215
Cottage	...1219—1229

	PARAS.
Industries—*contd.*	
Weaving	... 1226—1256, 1243—1261, 1263—1312
Dying and Calico Printing	...1258—1262
Brass and Bell Metel	...1263—1284
Tanning and Leather Working	...1285—1292
Others	...1293—1297
Subsidiary to agriculture	...1313—1342
Beneficial to agriculture	.. 1338—1339
Need for whole time director of	... 1306
Industry—Decline of handloom—	... 1230—32
Insurance—Life—	... 2310
Postal	... 2309
Interest—History of	...1865—1876
Rate of	..1877—1886, 1950—1954
Methods of calculating	...1905—1907
On deposits	...1931—1934
Estimate of interest which the people have to pay.	647
Interviews—	Appendix F.
Investment—Development of habit an urgent need.	2253—2256
Jenkins—	...1854—1882
Joint Stock Banks—	... 561
Allahabad Bank	... 562—564
Bhargava Commercial Bank	... 565
Islamic Bank	... 566
Berar Bank, Limited	... 567
Do not directly finance agriculture	... 561—567
Unsuitable to finance agriculture	... 899
Extent to which wholesale grain dealers get help (advances against godown produce) from—	564
Kautilya	... 1874
Khalsa	... 79-80
Khat	... 885
Khepari	... 1044
Land Improvement—	
Various kinds	... 902
Sources of finance for	... 903—909
Credit facilities required for	... 913—916
Land Values of—	... 528—533
Land Tenures—	
Ryotwari	... 78
Malguzari	... 92-93
Khalsa	... 79-80
Malik-makbuza	... 94
Jagirs and Inams	... 81
Tenants	... 95

	PARAS.
Land Tenures—*concld.*	
Izara	... 82—85
Absolute occupancy	... 96
Palampat	... 86—89
Occupancy	... 97-98
Zamindari	... 99-100
Land Titles in	...1827—1830
Land—Purchase of, as form of investment	...2250—2252
Laoni	... 886, 1069
Law—Banking. See under Banking.	
Law—Amendment of, relating to Banking practice. See under Banking.	
Legislation to protect debtors—Result of	... 526, 527
Loan—Sources of	... 796—812
Purposes of	...(245 (*a*) to (*i*), 738—745
Loans—Kinds of—Short term	... 663—816
Intermediate	.. 682—686
Long term	... 917—924
Rates of interest on	... 684
Facilities for repayment	... 829—840
Conditions of making	... 910—912
Review of system of Government	...1003—1022
Mahajans	... 259—262, 2195—2197
Mahin Khat	... 885
Money and grain—lender origin of	... 254—258
Marketing Methods of	...1039—1051
Difficulties of	... 1059
(1) Communications	...1061—1065
(2) Lack of storage	... 1067
(3) Lack of information	... 1068
(4) Mixing of produce	... 1066
(5) Differences in weights and measures	... 1059—60
Remedy for difficulties	...1060—1068
Effect of indebtedness on	... 1069
Pools and sale societies for	...1080—1091
Finances for, of produce	...1119—1124
Markets—Wholesale	...1052—1058, 1111—1112
Markets—Better organization of	...1100—1106
Markets—District Officer for	...1113—1118
Markets—Reforms proposed	...1110—1113
Malguzar	... 290—314, 421—423
Malik Makbuza	... 1567
Mandi	... 1102
Manu	...1864—1873
Manu Smriti	...1864—1873
Mortgages equitable	... 1826
Middleman Part played by in marketing produce	...1073—1079

	PARAS.
Industries—*contd.*	
Weaving	... 1226—1256 1243—1261 1263—1312
Dying and Calico Printing	...1258—1262
Brass and Bell Metel	...1263—1284
Tanning and Leather Working	...1285—1292
Others	...1293—1297
Subsidiary to agriculture	...1313—1342
Beneficial to agriculture	.. 1338—1339
Need for whole time director of	... 1306
Industry—Decline of handloom—	... 1230—32
Insurance—Life—	... 2310
Postal	... 2309
Interest—History of	...1865—1876
Rate of	..1877—1886, 1950—1954
Methods of calculating	...1905—1907
On deposits	...1931—1934
Estimate of interest which the people have to pay.	647
Interviews—	Appendix F.
Investment—Development of habit an urgent need.	2253—2256
Jenkins—	...1854—1882
Joint Stock Banks—	... 561
Allahabad Bank	... 562—564
Bhargava Commercial Bank	... 565
Islamic Bank	... 566
Berar Bank, Limited	... 567
Do not directly finance agriculture	... 561—567
Unsuitable to finance agriculture	... 899
Extent to which wholesale grain dealers get help (advances against godown produce) from—	564
Kautilya	... 1874
Khalsa	... 79-80
Khat	... 885
Khepari	... 1044
Land Improvement—	
Various kinds	902
Sources of finance for	903—909
Credit facilities required f	913—916
Land Values of—	528—533
Land Tenures—	
Ryotwari	78
Malguzari	92-93
Khalsa	79-80
Malik-makbuza	94
Jagirs and Inams	81
Tenants	95

	PARAS.
Land Tenures—*concld.*	
Izara	... 82—85
Absolute occupancy	... 96
Palampat	... 86—89
Occupancy	... 97-98
Zamindari	... 99-100
Land Titles in	...1827—1830
Land—Purchase of, as form of investment	...2250—2252
Laoni	... 886, 1069
Law—Banking. See under Banking.	
Law—Amendment of, relating to Banking practice. See under Banking.	
Legislation to protect debtors—Result of	... 526, 527
Loan—Sources of	... 796—812
Purposes of	...(245 (*a*) to (*i*), 738—745
Loans—Kinds of—Short term	... 663—816
Intermediate	.. 682—686
Long term	... 917—924
Rates of interest on	... 684
Facilities for repayment	... 829—840
Conditions of making	... 910—912
Review of system of Government	...1003—1022
Mahajans	... 259—262, 2195—2197
Mahin Khat	... 885
Money and grain—lender origin of	... 254—258
Marketing Methods of	...1039—1051
Difficulties of	... 1059
(1) Communications	...1061—1065
(2) Lack of storage	... 1067
(3) Lack of information	... 1068
(4) Mixing of produce	... 1066
(5) Differences in weights and measures	... 1059—60
Remedy for difficulties	...1060—1068
Effect of indebtedness on	... 1069
Pools and sale societies for	...1080—1091
Finances for, of produce	...1119—1124
Markets—Wholesale	...1052—1058, 1111—1112
Markets—Better organization of	...1100—1106
Markets—District Officer for	...1113—1118
Markets—Reforms proposed	...1110—1113
Malguzar	... 290—314, 421—423
Malik Makbuza	... 1567
Mandi	... 1102
Manu	...1864—1875
Manu Smriti	...1864—1873
Mortgages equitable	... 1826
Middleman Part played by in marketing produce	...1073—1079

	Paras.
Middle—Necessity of and complaints against unfounded.	1047—1058
Maine	... 1861
Nelson—Sir Arthur	... 1061
Nistar—Right of	.. 212—216
Negotiable Instruments Act—Amendment of	...1362—1364
Remittances—Other methods of	...1365--1368
Record of rights	...1773—1787
Legislation to improve record of rights	...1788—1792
Register of	...1784—1787
Railway receipts as instrument of credit	... 1356
Simcox	...1853—2221
Surveys—Intensive—How they were done	... 48—50
Sleeman, Sir William	... 1566
Stamp—Sir Josiah	... 930
Taccavi—	
Complaints against distribution of	...1023—1038
Tavernier	... 1881
Tenants—	
Their rights	... See under Land Tenure.
Occupancy	... 97—98
Absolute occupancy	... 96
Sub-Tenants	... 84 (3)
Village service	...
Anti alienation	... 84 (1)
Thakur, Mr. B. J.	...1902—1903
Tak Patti	... 1054
Thrift—	
Habit of	... 487—495
Trade Internal-Organization of—	... 1125—1127, 1173—1176
Food grains and pulses	...1128—1132
Ghee	... 1133
Sugar	... 1134
Vegetable oils	...1135—1138
Building materials	...1139-1144
Oranges	.. 1145—1149
Leather	...1150—1152
Cotton piece goods	...1153—1157
Woollen goods	...1158—1162
Silk goods	... 1163
Enamel Aluminium and Glassware	... 1164
Oilman stores	... 1165
Hosieries	... 1166
Yarn	... 1167
Hardware	...1168—1169
Traders—classes of	...1170—1172
Trust Investment	...2294—2295
Turner, Mr. F. C., C.I.E., I.C.S.	...1008—1032

	PARAS.
Usury—	
Prohibited in Ancient India-History of	...1862—1863
Distinction between usury and interest	... 1864
Warehouses—	
Licensed	...1092—1099
Wholesale market—See under markets	...
Yajnavalkya	.. 1860
Zones—	
Cotton	... 157—161
Wheat	... 176—184
Satpura plateau	.. 185—191
Rice	... 162—175

GLOSSARY OF INDIAN TERMS.

Abadi	...	Village site.
Adatya	...	Commission Agent.
Ahir	...	Milkman.
Akada	...	Pronote.
Atki	...	A measure.
Bakshis	...	Tip.
Bania	...	Trading caste.
Bandhor	...	Instalment.
Bap	...	Father.
Bari	...	Back garden.
Basor	...	Basket maker.
Batta	...	Customary deductions made by money-lenders and traders.
Bazar	...	Market.
Biasi	...	A method of rice cultivation followed in Chhattisgarh only.
Bidi	...	Indian cigarette.
Birra	...	Mixture of wheat and gram.
Bund	...	Embankment.
Chamar	...	Shoe-maker.
Chalak	...	Cunning.
Chaori	...	Village Officers' office in the village. It is used as a rest-house by Government servants and travellers.
Dalal	...	A broker.
Daora	...	An agricultural instrument for hoeing.
Damdupat	...	A rule of Hindu Law limiting interest to the amount of principal.
Darshani	...	Payable at sight.
Deodha	...	One and half times.
Dhan	...	Unhusked rice.
Dekchi	...	A cooking pot.
Dhoti	...	Cloth used as loin cloth.
Duna	...	Double.
Duppatta	...	Long cloth used as an article of dress.
Fardmazariyan	...	A detailed statement of debts and assets.
Gahan	...	Mortgage.
Ganj	...	Market.
Gaothan	...	Village site.
Gaowar	...	A rustic.
Garpagri	...	Preventer of hail-storms and other calamities.
Girvin	...	To pledge.
Gud	...	Joggery.
Haldi	...	Turmeric.
Hat	...	Weekly market.
Hat-udhar	...	Oral loans without security.
Hundi	..	A negotiable instrument drawn by one person on another for payment on demand or after a specified time.

Inam	...	Land held free or at fixed quit-rent.
Izara	...	A kind of land tenure introduced under the "Waste Land Rules" in Berar.
Izardar	...	Proprietor of an Izara village.
Jahagir	...	Grants of land held free or at quit rents.
Jamabandi	...	A village record containing the names of cultivators, the land they hold, etc.
Jor	...	A system of forestalling the crop.
Juar	...	A millet.
Kabjedar	...	Occupant.
Kachha	...	A system of finance in which the artisan works for wages on metal supplied to him. It is in vogue among metal-workers in Chhattisgarh.
Kachhi	...	A caste generally doing gardening.
Kalar	...	A caste selling liquor.
Katai	...	Absolute occupancy.
Katha	...	A measure.
Khandi	...	Do.
Kharif	...	Rain crop.
Khasra	...	A field book in which are entered the names of persons cultivating or occupying land the right in which it is held and the rent payable.
Khat	...	An instalment bond.
Khata	...	Account.
Khepori	...	Trader's making-(khep) trips.
Khewat	...	A statement of persons possessing proprietary rights in the Mahal.
Khudkast	...	Land in the landlord's cultivation.
Kochiyas	...	Itinerant petty dealers.
Kodo-kutki	...	Lesser millets.
Kotwar	...	Village watchman.
Kumhar	...	A potter.
Kuro	...	A measure.
Kurta	...	A kind of shirt.
Lahan Gahan	...	Conditional sale.
Lathi	...	Stick.
Laoni	...	A system of forestalling the crop.
Lohar	...	Blacksmith.
Lota	...	Pot for water.
Mahajan	...	A great man, a money-lender.
Mahar	...	One of the depressed classes.
Mahinkhat	...	A monthly instalment bond.
Malguzar	...	Landlord.
Malik-makbuza	...	Plot-proprietor.
Mandi	...	A small market.
Marwari	...	Person of Marwar, money-lender.
Mani	...	A measure.

Masur	...	A kind of pulse.
Maurusi	...	Occupancy right.
Mochi	...	Cobbler.
Muafi	...	Free-hold land.
Mudati	...	Payable after a certain time.
Munim	...	Paid agent.
Naram Sahukari	...	Money-lending made easy. Applied to Co-operative Banks and the implication is that these banks get all the advantages of the ordinary money-lending business without its risks.
Nari	...	Sowing machine.
Nistar	...	Right of easement.
Pagota	...	A turban.
Palampat	...	A kind of land tenure in Berar. It originated before the assignment and is in the nature of perpetuate lease.
Panchayat	...	A committee.
Parwar	...	A sub-section of Bania caste. Money-lender, trader, etc.
Patel	...	Headman in ryotwari village.
Powar	...	A caste known for skilful cultivation.
Pujari	...	A paid worshipper in a temple.
Pura	...	Bundle of yarn.
Purja	...	Pro-note.
Rabi	...	Winter crops.
Rahan	...	Mortgage.
Rahar	...	A kind of pulse.
Ryotwari	...	A kind of land tenure in which land is held directly from Government.
Samp	...	A snake.
Sarkat	...	A kind of agreement in which rate of interest is not mentioned.
Sawai	...	One and one-fourth.
Seth	...	A respectable person.
Shahjog	...	Payable to a respectable person.
Shroff	...	An indigenous banker.
Sir	...	Landlord's homefarm land.
Sowcar	...	A money-lender.
Sunar	...	Goldsmith.
Taccavi	...	An advance made by Government to cultivators.
Taglya system	...	A system of loans by which the weavers bind themselves to sell their goods to the sowcar at a rate lower than the market rate. It is prevalent among the Chanda weavers.
Tak-patti	...	Memorandum showing the quantity and price of cotton.
Tar	...	Market known from the wire fencing enclosure.

Teep	...	A bond.
Teli	...	Oil-presser.
Tiphan	...	A sowing instrument with three seed drills.
Tuchpunjiya	...	Person with small capital. Applied to upstart money-lenders.
Ubari	...	Land held at quit rent.
Watan	...	Hereditary right.
Wazib-ul-arz	...	Village administration paper in which agreements are recorded.
Zuzawan	...	Weight for weight. This is a system of finance prevalent among Chhattisgarh metal workers in which the artisan receives metal sheets and supplies finished articles weight for weight to the supplier and receives certain amount for his manufacturing charges

CHECKED
20.3.04

GPN—2737—BEC—25-7-30—645.