

LETTER TO ALL LOCAL GOVERNMENTS AND ADMINISTRATIONS, No. L-3013,  
DATED THE 27TH AUGUST 1932.

**SUBJECT:—***Proposal of the Royal Commission on Labour that besetting an industrial establishment for the purpose of collecting debts should be made a criminal and cognizable offence.*

I am directed to address you on the recommendation of the Royal Commission on Labour that "besetting" an industrial establishment for the recovery of debts should be made a criminal and cognizable offence. This is discussed on pages 235-236 of the Commission's report (Extract enclosed).

2. The proposal is aimed at preventing two practices associated with the recovery of debts from industrial workers. One of these, which the Commission regards as the more deplorable, is the system whereby money-lenders are permitted by some employers to enter the factory and to collect their dues before the workman receives his pay. The other, and more common, practice is for the money-lender to wait just outside the factory gate and to secure payment before the workman can part with any portion of his wages. An objection to both practices is that they tend to make the payment of interest, and the repayment of debts, the first charge on wages, the workman being forced to make disbursements on these before his necessities and those of his family are purchased. When the dues are collected within the factory, he has, as a rule, no means of resisting the deduction; when the dues are collected at the gate, an element of intimidation not infrequently enters into the transaction. In addition to the Labour Commission, the Bengal (Report, paragraph 330) and Bombay (Report, paragraph 284) Banking Inquiry Committees have drawn attention to the use of extra-legal methods for the recovery of debts by money-lenders of this type and have recommended strong measures to deal with such practices. These have formed the subject of a separate reference to the local Governments in the Finance Department letter No. D-2274-F., dated the 22nd April 1932. The former Committee suggested making habitual usury a criminal offence and the latter urged the use of the power of deportation for certain offenders. The Central Banking Inquiry Committee, after mentioning the latter proposal, said [Report, paragraph 123 (5).]

"Where these people" (*i.e.*, Pathans and other itinerant money-lenders) "take extra-legal steps for the recovery of their money as brought out prominently in the report of the Bombay Committee, we consider that special action is necessary for protecting the borrower from the methods employed by them. We readily support the proposals of the Bombay Committee in this matter and we hope that Provincial Governments will take early steps to deal with any such insidious menace to society."

3. The Commission's proposal does not go so far as these suggestions for it relates only to action in or near an industrial establishment; but it appears to offer the possibility of stamping out the practice of recovering private debts at the pay-desk and of checking at least the power of the money-lender to make his demands a first charge on industrial wages. As such the Government of India are provisionally disposed to support it. But they would be glad to have the views of the local Government and of those interested in the question both on the Commission's recommendation and on any other methods which may appear desirable for dealing with the evils to which reference has been made above. I am to invite attention in this connection to the observations made by the Labour Commission on pages 224-231 and 242 of their Report which contain the general argument underlying this and the other proposals they have made to deal with industrial indebtedness.

4. I am to request that a reply to this letter may kindly be sent so as to reach the Government of India not later than 1st January 1933.

EXTRACT FROM THE REPORT OF THE ROYAL COMMISSION ON LABOUR IN INDIA  
(PAGES 235-236).

*Besetting an Industrial Establishment.*

The preceding paragraphs have dealt mainly with the money-lender who threatens his victim with legal proceedings and, more rarely drives him into court. There are, however, many money-lenders who prey upon workers and depend upon the threat of violence rather than of the processes of the law. The *lathi* is the only court to which they appeal, and they may be seen waiting outside the factory gate on pay-day ready to pounce on their debtors as they emerge. Our recommendations should not be ineffective even in their case, for they are as a rule fairly scrupulous even in using intimidation, and seldom employ it to exact more than the law allows. But stronger measures are justified, particularly as the object of waiting outside the factory is to ensure that their claims form the first charge on wages. We recommend, therefore, that besetting an industrial establishment for the recovery of debts be made a criminal and cognisable offence. Besetting might be defined as loitering within the precincts or near or within sight of any gate or outlet of the establishment. This should go far to cripple the activities of a class of money-lender already generally regarded as a pest to society. It should also bring to an end the still more deplorable practice of some employers who permit the money-lender to enter the factory compound and to collect his dues before the workers' wages reach their hands.

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(1)

GOVERNMENT OF THE NORTH-WEST FRONTIER PROVINCE.

As the practice referred to in your letter of besetting an industrial establishment for the recovery of debts does not obtain in this Province, the Governor in Council feels that he can offer no useful opinion.

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(2)

SECRETARY TO THE CHIEF COMMISSIONER OF COORG.

There are very few industrial centres in Coorg and cases of "besetting" do not occur. The Chief Commissioner is, however, in agreement with the recommendation of the Royal Commission on Labour that "besetting" an industrial establishment for the recovery of debts should be made a criminal and cognizable offence.

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(3)

SECRETARY TO THE HON'BLE THE AGENT TO THE GOVERNOR-GENERAL IN  
BALUCHISTAN.

The besetting of Industrial establishments in the manner described in the report of the Royal Commission on Labour, has not come to notice in Baluchistan. The Hon'ble the Chief Commissioner has however no objection to legislation found to be necessary elsewhere, being made applicable to British Baluchistan.

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(4)

REGISTRAR OF THE HIGH COURT OF JUDICATURE AT FORT WILLIAM IN  
BENGAL.

The Hon'ble the Chief Justice and Judges have no opinion to offer on the proposal.

(5)

GOVERNMENT OF THE UNITED PROVINCES.

All persons or bodies consulted by the local Government are in agreement with the proposal of the Royal Commission on Labour that the besetting of an industrial establishment for the purpose of collecting debts should be made a criminal and cognizable offence. They also point out that factories in this province do not allow the lender to enter their compounds for the realisation of their debts. But Pathans and others do wait outside the factory gates in order to secure payment of their dues.

2. The Governor in Council thinks, however, that the gain to be secured by making "besetting" a criminal and cognizable offence is so small that it is hardly worth legislation. "Besetting", as it is proposed to define it, will be a difficult offence to establish and legislation will consequently be very difficult to enforce. Creditors may be moved from the doors of a factory, but no great good will be effected by keeping lenders a little further away from factories than at present. Unless, therefore the Government of India have reason to believe that the evil is very much more prominent elsewhere than it is represented to be in the United Provinces, and at the same time feel that they can draft legislation in some more effective form than he at the moment visualises, the Governor in Council would not advise legislation as a remedy for the evil. The evil of indebtedness is deep-seated and depends largely on social conditions and he considers that legislation of the nature contemplated would hardly constitute a palliative and certainly would not afford any substantial remedy.

(6)

GOVERNMENT OF ASSAM.

The Governor in Council supports the recommendation of the Royal Commission on Labour.

2. Both branches of the Indian Tea Association and the leading Commercial Companies concerned as well as the Commissioners, District officers and the Factory Inspector, Assam, have been consulted. Copies of their letters are enclosed for information.

SURMA VALLEY BRANCH, INDIAN TEA ASSOCIATION.

(1) This Association would welcome any strengthening of the law that would assist in control of Pathan money lenders.

(2) These are not a serious menace to the Tea Industry, as once they enter the labourers' quarters they come under the control of the management and can be removed as trespassers.

(3) Seeing that all payments on a tea garden are made by the European staff, any attempt to molest labourers leaving a pay table would be promptly dealt with, so that such pressure as is put on labourers for the repayment of debts usually takes place at a distance or on a public road.

(4) In order to control people of this type and protect labour strong objection has been taken by this Association to another recommendation of the Royal Commission on Labour that free access to the labourers' houses situated on tea garden land should be made legal.

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ASSAM BRANCH, INDIAN TEA ASSOCIATION.

This Association supports the recommendation of the Royal Commission on Labour that besetting an industrial establishment for the recovery of debts should be made a criminal and cognizable offence and that tea concerns should be included in the scope of industrial establishments.

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COMMISSIONER OF THE ASSAM VALLEY DIVISION.

The nuisance hardly exists here and tea gardens are well able to look after their employees so too under present conditions are the Assam Oil and Assam Railways and Trading Companies. The objection put forward by the Deputy Commissioner of Sibsagar (opinion printed below) overlooks the fact that the money lender need not go to the Manager only on pay day to arrange for instalments. I see no objection to the proposed legislation.

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DEPUTY COMMISSIONER, SIBSAGAR.

While I deprecate the methods of coercion or intimidation sometimes employed by Kabuli and other money lenders for the recovery of their outstanding dues, I am not convinced of the need of special legislation. Conduct amounting to criminal intimidation is punishable by the Penal Code. As regards "besetting", I think in certain circumstances it would be better that the creditor is admitted to the place of payment because the disburser can, in that case, regulate recovery by easy instalments from the wages of the labourer and pay to the creditor and save the debtor from frequent calls and demands with or without threats, from the creditor. In other words if the employer is willing to undertake the trouble on behalf of his workman, a system of recovery by instalments can be arranged to the advantage of all concerned.

On Tea Estates, I do not think the money lenders can easily adopt measures amounting to criminal intimidation with impunity for the labour force with or without the help of the management can resist or prevent this sort of thing even if any money lender has the courage or hardihood to adopt such measures.

There is generally speaking more solidarity among industrial workers who usually live either in the lines or close to one another and they can certainly be expected to hold them over against unlawful or criminal conduct of money lenders better than an ordinary villager living outside the area of a Tea Garden or other industrial concern.

There has however been support for such legislation from influential quarters, namely—the Jorehaut and the Moabound Tea Companies.

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DEPUTY COMMISSIONER, DARRANG.

I enclose a copy of the S. D. O.'s opinion. So far as tea gardens are concerned the S. D. O. is quite correct. A Manager who wishes to do so, and this is true almost universally, can control the activities of up-country

money lenders without, any difficulty. In the villages, however, especially those of retired coolies, this is not the case and I have no doubt that in many places the Kabuli money lenders make a nuisance of themselves on pay day, while in the bustis distant from tea gardens they are unadulterated nuisance. The method is to travel round from village to village during one cold season and sell cloth on credit to ignorant coolies. The following season they return with a fresh supply and realise their accounts. There would be little harm in this were their terms less exorbitant, but cases have come to my notice where they realise double the prime retail cost of the cloth after less than a year's absence. Their wheedling manner at the time of sale gives place to truculence and threats and this supported by their rather formidable appearance gives the coolies little chance to protect themselves.

2. Unfortunately the present proposals do not touch our local problem.

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SUB-DIVISIONAL OFFICER, MANGALDAI.

So far as this Valley is concerned about which I can speak from my experience, no legislation, nor even any attention is needed for the cure of the evil of pestering on the industrial labour by their money lenders. No such evil exists. Speaking generally, such legislation will probably be in the border region of people's general conduct in life and society.

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DEPUTY COMMISSIONER, LAKHIMPUR.

I enclose copies of the opinions expressed by the General Manager, Assam Oil Company, and Assam Railways and Trading Company and by the Government Pleader (opinion of the last-named has not been received here). You will observe that whereas the first two are strongly in favour of such legislation the Government Pleader is not in favour. He points out that the money lender can easily remain at a slight distance from the limits of the employer's premises and that if he does not find means to circumvent the proposed legislation the labourer will be deprived of his source of borrowing.

2. Personally I think that the offence should be made cognisable in the case of large concerns like the Assam Oil Company and the Assam Railways and Trading Company which are not primarily engaged in the exploitation of land, where, however, tea gardens are concerned it is easy to the Manager to prohibit the money lender from coming inside his garden, which he should certainly do, as his coolies have no immediate reason for better position on pay day than on any other day, unless he is a Marwari employed by the garden with a shop on garden land, in which case the Manager has sufficient control over him to prevent him worrying the coolies unnecessarily. Where the employer permits money-lenders to collect their dues before the labourers receive their pay, both are equally responsible for the difficulties into which the labourer may be put, and it seems to me that legislation should be enacted which would make it equally criminal for the employer and the money lender. It is probably too much to expect, however, that the money lender would not devise some way of circumventing the law and there would be considerable difficulties in its administration and interpretation.

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ASSAM OIL COMPANY, LIMITED.

We are in full agreement with the recommendation made by the Whitley Commission that besetting an industrial establishment for the recovery of debts be made a criminal and cognizable offence.

We consider that such a measure while merely touching the fringe of the problem of indebtedness and of the protection of the debtor against extra-legal methods of debts recovery, will at least do something towards weakening the hold of the money-lender.

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ASSAM RAILWAYS AND TRADING COMPANY, LIMITED.

I consider that the proposal that the besetting of works on pay days should be made a criminal and cognizable offence is sound and commendable one, very definitely in the interests both of workers and of their employers. The evil, which it is proposed to remedy, is undoubtedly a very real one and I consider that the report of the Royal Commission in no way exaggerates the case. The lender, where he has a legitimate debt owing to him, can always recover by going to the Court and obtaining an attachment order against the debtor's pay. If it is necessary for him to do so however immoderate extortion of interest can be checked by the Court.

The practice of permitting money lenders and other creditors inside the works to collect money, either before or after it has been paid to the worker, has never been allowed in our Workshops and I should suggest that any employer who allows such a thing should be made jointly responsible with the person admitted for the offence. A very much more difficult case to deal with is where the lender is himself also a worker in the same shops as the borrower. This clearly puts the lender in a very privileged position as regards obtaining repayment of his debt. At one time this practice was somewhat prevalent in our own Workshops in Dibrugarh, but has now been checked, if not altogether abolished, as all workers have been notified that any employee found to have been lending another employee money at interest will be liable to dismissal. In one or two cases the threat has actually been carried out.

I think that the proposed legislation will, in cases where the employer does not take pains to look after the employee's interest, be of somewhat limited advantage, as the lender will probably not take long to circumvent the new rule. The proposal will, I have no doubt, be of great assistance however to those employers—and I trust they are the majority—who do take some interest in their employees' welfare.

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NOTE BY RAI BAHADUR M. C. DE OF CACHAR.

Itinerant money lenders, commonly known as Kabuli money lenders in this side of India, are a real pest and in recovering debts they take recourse to *lathi* more often than to Court. Probably the Royal Commission on Labour had them in their mind more than any other class of money lenders when they made the recommendation for penalising their illegal activities in the matter of recovery of moneys lent by them. Industrial workers are generally helpless persons—more helpless, I believe, than ordinary village folk. They are not only needy but thriftless as well. They have seldom the power to resist the temptation of buying goods on credit where itinerant Kabuli traders present them at their door. Troubles come at the time of recovery. The proposal of the Royal Commission for making "the besetting" of an industrial establishment for the purpose of collecting debts a criminal offence and cognizable at the same time if given effect to will go some way at least in giving protection to industrial workers. If the employers can be induced to co-operate with Government in this respect the proposed measure is likely to afford a substantial amount of protection to such labourers. I am afraid as a rule the labourers will not venture to lodge a complaint with police even when they suffer molestation at the hands of such money lenders. If however the employees take the initiative and give information to the police and also freely give leave to labourers both debtors

who are molested and witnesses who are expected to be fellow labourers to attend Court and give deposition much hope can be entertained as to the success of the proposed measure. If it be possible to make employers legally responsible to send information to police in cases coming under the proposed offence, this should be done at the same time.

In connection with the Banking Enquiry suggestions came from several quarters for licensing and registering money lenders. I think so far as Industrial establishments are concerned it is practicable to license and register money lenders, lending money to industrial labourers. There is much to say against registering and licensing all money lenders. But it is comparatively easy to register and license money lenders operating in industrial areas and coming from outside. I make this suggestion for consideration. If such a step can be taken, it will give additional protection to industrial labourers who, as I have stated above, are more helpless than ordinary villagers and therefore deserve protection more than the latter.

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INSPECTOR OF FACTORIES, ASSAM.

I have the honour strongly to recommend that the besetting of factory premises by money lenders be made an offence.

Further as sirdars, babus, foremen, etc., also loan money to subordinates, which gives rise to many evils, I would make any money lending or collecting between employees on the premises an offence also.

The only way to stop this would be to prosecute the Manager who would thereby be forced to stop such practices by disciplinary action and the formation of a Loan Society (approved by Local Government).

I have no doubt that small Managers, many Sirdars, etc., are sleeping partners or in collusion with money lenders.

Therefore the *Management* should be punishable should *any pay stoppages at all* be made except on a Court Order or in repayment of advances made to employees by the Management and properly shewn in the factory's books.

It may be difficult to penalise debt collecting outside the factory but, as many factories open on to side lanes where violence is quite possible and common, a penalty for outside besetting within sight of the factory gate is also desirable.

I may say I have seen a lot of the evils under reference during my former Indian Service, so much so that it was the practice in the Loan Society run by me, to protect the worker when a loan had been granted to get him out of a money lender's hands, for the Secretary to hand over the money personally to the money lender and destroy the Bond himself to prevent further victimisation. The Bond is frequently retained under threats and again used by the lender.

These remarks will apply to our town factories and tea and other factories in open country on to public roads or lands. Fortunately for the bulk of our factory labour in Assam, it, being in tea, works and resides on private estates to which access is barred, but no doubt babus, sirdars, etc., act as internal usurers as elsewhere and these should be checked in the factory at any rate.

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THE HON'BLE THE CHIEF COMMISSIONER, AJMER-MERWARA.

I have the honour to forward, for the information of the Government of India, copies of the communications containing the views of those officials and organizations in Ajmer-Merwara, who were consulted by this Administration on the proposal.

2. While I consider that the proposal is certainly desirable, I do not think that the proposed definition of 'besetting' as "loitering within the precincts or near or within sight of any gate or outlet of the establishment" will be sufficient to achieve the aim desired, as it would still be open to money lenders to "beset" the house of a workman or to follow him a little distance outside the factory gate. I am therefore of the opinion that if the workman is to be protected he should also be made safe from being followed or "beset" at his house on pay day.

3. The suggestions contained in paragraph 3 of the memorandum from the Extra Assistant Commissioner of Merwara, and paragraph 3 of the letter from the Inspector of Factories, Punjab, North-West Frontier Province, Delhi and Ajmer-Merwara, are for the consideration of the Government of India. I am inclined to think that the controlled system of money-lending need not be interfered with. The question will however doubtless be decided with reference to the needs of larger and more important manufacturing areas than Ajmer-Merwara.

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EXTRA ASSISTANT COMMISSIONER, MERWARA.

The suggestion appears to be sound and is beneficial to the Labour.

2. The Labour would be saved of penal interest which they have to pay to the Pathans or Kablis with whom there are dealings. The procedure of recovery adopted by the Kablis is much more coercive. It is apprehended that the waiting of the Kablis outside the Mills, Factories, and Presses, etc., on the pay day may some day result in criminal breach of peace as they observe very serious steps for recovering their dues.

3. The system regarding the recovery of the dues of a particular money lender on the pay desk should also be discontinued under Law, unless such a money lender or firm be a certified money lender or the representative of a Registered Co-operative Society, who may be charging simple interest not more than 9 per cent. per month on advances.

4. I am, therefore, of opinion that besetting an industrial establishment for the purpose of collecting debts should be made a criminal and cognisable offence.

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THE MILL AND FACTORY OWNERS' ASSOCIATION\*, BEAWAR.

1. I have already brought to the notice of the Provincial Banking Enquiry Committee the fact that the money lending Pathans (known as Kabulis) do not only threaten their debtors but beat them severely for which purpose they wait with lathis outside the gates of the Mills on pay day ready to pounce on their debtors as they merge. They charge very heavy interest from the workers that is to say from 2 annas to 4 annas per rupee, per month. The evidence was also produced by me to prove this fact before the aforesaid Enquiry Committee.

2. My Association is, therefore, of opinion and hopes that Government of India will kindly take strong measures early to deal with such deplorable and unlawful practice.

3. My Association agrees with the recommendation of the Royal Commission on Labour in India that besetting an industrial establishment for the recovery of debts be made a criminal and cognizable offence.

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DIWAN BAHADUR HAR BILAS SARDA, AJMER.

I am in favour of the proposed legislation if it is made applicable only to Pathans. I am against making any law to be applied to ordinary petty money lenders who go out to collect their dues.

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\* Similar opinion received from the Edward Mills Company, Ltd., Beawar.

ADDITIONAL DISTRICT JUDGE, AJMER-MERWARA.

The recommendation made by the Labour Commission is a salutary one. 'Besetting' is an evil prevalent at Ajmer especially at the Railway Workshops but I do not think the measure goes far enough. Will it be sufficient if the money lenders of the class under consideration are excluded from and near the premises of a Factory on pay day? They would then probably 'beset' the house of the workman or follow him from a little distance outside the Factory gate. If the workman is to be protected he should also be made safe from being followed or 'beset' at his house on pay day.

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INSPECTOR OF FACTORIES, PUNJAB, NORTH-WEST FRONTIER PROVINCE, DELHI AND AJMER-MERWARA.

I strongly support the proposal contained in the aforesaid letter that besetting an industrial establishment for the recovery of debts should be made a criminal and cognizable offence. It will certainly help to stamp out the present practice of recovering debts from the factory workers by Pathans and other itinerant money lenders by intimidation within the factory premises.

2. I have consulted various organisations and the large industrial establishments in Ajmer-Merwara. They all agree that such a law will prove very useful in protecting the borrower from the unscrupulous money lenders such as Pathans, etc. The only objection raised in this behalf by the owners of the industrial establishments is that if the proposal to prosecute all money lenders loitering about factories is passed into law, it will greatly handicap genuine money lending business, thereby making it difficult if not practically impossible for the industrial labourer to borrow money at all, or at any rate at a reasonable rate of interest. I do not agree with this view because the rate of interest charged by Pathans and other itinerant money lenders is so exorbitant that the borrower if he has once raised a small debt he can never free himself either from the debt or from the interest which sometimes amounts to 10 to 20 per cent. per month. My opinion is that when both the lender and the borrower will realise that the proposed legislation has placed many obstacles in their way both of them will try to live within their means so that things will gradually adjust themselves and I do not think that the borrower will have any much difficulty in raising a debt from other sources which in my opinion will certainly be at a cheaper rate of interest than the one he has to pay at present.

3. The Krishna Mill, Beawar, has pointed out that some of the concerns have for the facility of workers and to keep a direct control over their earnings already arranged to keep Modis or money lenders who advance loans to workers on the authority of their officers (employers) in writing. This is an arrangement by which the workers do not enter into heavy debts because they are always under the control of their officers (employers) for borrowing. The money lender is also under a strong control of the management and has to conform strictly to the orders of the concern. He is bound to advance money at a rate of interest far below that of ordinary money lenders because he has the certainty that his debts would not become bad or irrecoverable. This scheme appears to be working fairly well but under the proposed legislation it will have also to be discontinued. My opinion is that such an arrangement should be made an exception under the proposed legislation.

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KRISHNA MILL LIMITED, BEAWAR.

(1) We are really very much against the gathering of money lenders outside the Mill gates on pay and allowance days to collect their dues from the workers and enactment to that effect would be desirable.

(2) For the facility of the workers and to keep an indirect control over their earnings some of the concerns have arranged to keep the Modis or Money Lenders, who advance loans to the workers on the authority of their Officer in writing. This is an arrangement, by which the workers do not enter into heavy debts, because they are always under the control of their officers for borrowing. The Money Lender is also under a strong control of the management and has to conform strictly to the orders of the concern. He is bound to advance money at a rate of interest far below that of ordinary money lenders, because he has the certainty that his debts would not become bad or irrecoverable. The concerns would not care if the worker does not pay what he has taken without the proper authority or on his own account. If they behave in this way they have to suffer the loss. If such things come to notice these money lenders are severely dealt with. They would not take the money direct from the concerns in their hands, but they are repaid the debts by the workers after receiving the same. If any amount still remains over it has to be received later on at the option of the worker. If this system of managing the affairs about money lending be abolished the workers will be at the mercy of money lenders at large, who, being not certain of the recovery, may advance loans at a comparatively very high rate of interest, and might get more amount entered as loan than the actual amount advanced. Sometimes the poor workers, who are all the day in the factory may return unsuccessful at night and if need be they have to absent themselves for a day or two simply to induce the money lenders to issue loans to them. The workers in such case will be harrassed by their creditors at their abodes and dragged often into Civil Courts and thus their condition is sure to be far more pitiable than what it is at present. We have been observing that the workers outside the factories have to borrow money at usurious rate of interest and are often dragged in Court, where the cases are prolonged and expenses after expenses increase over the debt. The conditions of these workers will be still worse, as they will suffer much more hardship at the hands of the money lenders.

The arrangement which has been running smoothly under the control of the concern should in our opinion be encouraged for the facility of the workers, as well as of their masters. You would however like to make any change or improvement, if at all necessary suggested to us. The point is such a delicate one that unless and until a thorough sifting into the affairs and the modes of living and habits of the poor factory workers is made, one cannot guess what they really are and how their conditions are improved.

Their cases are pitiable and mostly being illiterate addicted to drink and extravagance, they may have money by any means they could get and would ruin themselves by running into debts over head. Upto now they are under a sort of control and a check, by which they are naturally restrained from entering into loans with outsiders.

To sum up we may say that on this side the trouble of outside money lenders as Pathans, etc., is not so very much, as may be found at places where the concerns have not made arrangements of money lending under their control.

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LOCO. AND CARRIAGE SUPERINTENDENT, B., B. AND C. I. RAILWAY COMPANY,  
AJMER.

I have no objection to "Besetting an industrial establishment for the purpose of collecting debts" being made a criminal and cognizable offence.

We do not allow any money lenders to be present at the pay desks in this department but itinerant usurers and Pathans are always seen haunting the gates and outlets of the Shops every pay day, which would be obviated by the proposed legislation.

## GOVERNMENT OF BIHAR AND ORISSA.

It is stated that the proposal of the Commission is aimed at preventing two practices. The first is the system whereby money lenders are permitted by some employers to enter the factory and to collect their dues before the workman receives his pay. The second practice is for the money-lender to wait just outside the factory gate and to secure payment before the workman can part with any portion of his wages. The local Government have consulted important factories in this province, organisations of employers and workers and several officers who are interested in the matter. There is universal agreement that the first practice is undesirable but opinions are divided as regards the second. Some persons hold that any interference with this practice would make it more difficult for labour to obtain short term loans which are necessary, while others regard the money lender as a prey on the earnings of labour who should be kept at a distance from the pay-desk and it is interesting to notice that two of the leading firms in Jamshedpur—the Steel Company and the Tinplate Company—hold different views on this point.

The Governor in Council strongly supports the view that money-lenders should be prevented by legislation from entering a factory for the purpose of collecting their dues. He would not also oppose the extension of legislation to preventing money-lenders from loitering near the factory gates although it does not seem likely that any such provision would have any great result as it is unlikely that money-lenders would be forced to raise their rate of interest because they are not allowed near the entrances to a factory nor that they would find much greater difficulty in recovering their dues. If any such legislation is undertaken the local Government consider that the offence should be cognizable with provision for deportation from the district and for increased penalties for a second offence.

## INDIAN MINING FEDERATION, CALCUTTA.

The Committee of the Federation have examined the proposal with care and generally incline to the view that the recommendation of the Commission should be given effect to. Other methods of dealing with the practice do not occur to the Committee except in the drastic manner contemplated by a non-official Money Lender's Bill recently introduced in the Bengal Legislative Council. But such a measure is of a wider scope and will require in order to be given effect to a far larger measure of public support than that of the industrial employers. In the circumstances, it seems best to the Committee that the worst feature of the problem of indebtedness of works-people engaged in industrial establishments should be dealt with in so simple a manner as suggested by the Royal Commission on Labour.

## INDIAN MINING ASSOCIATION.

The Committee agree that the professional money-lender should be deterred by all possible means from besetting industrial establishments for the purpose of collecting debts. There is one point, however, that will require to be carefully considered in the event of Government deciding to introduce legislation. It is the usual practice for a sirdar in a colliery to collect the pay due to a gang of miners and he frequently deducts advances he has made to individuals. Although the sirdar may have loaned money

he is no more a money-lender than say a colliery establishment which occasionally advances money to the miners to be recovered from their pay subsequently. The sirdar may, of course, exact interest whereas the colliery company does not but his advances are not made with the primary object of obtaining a profit on the loans. It will therefore be necessary to make some distinction between the professional money-lender and the sirdar or recruiter.

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COMMISSIONER OF THE BHAGALPUR DIVISION.

I have the honour after consulting the Officers (and through them leading factories and leading labour associations) in this Division, to state as follows:—

2. (a) The District Magistrate of Monghyr states that the three sub-divisional officers, the Deputy Chief Mechanical Engineer, Jamalpur, and the Manager, Tobacco, Manufacturers (India), Ltd., Badeopur who were consulted in the matter, are all in favour of the proposed legislation and that he too is of the same opinion.

(b) The Officiating District Magistrate of Bhagalpur says that he agrees that it is highly undesirable that employers should permit money-lenders to enter the factory and to collect their dues before the workmen receive their pay but he thinks this is a matter which the employers can easily prevent. As regards besetting an industrial establishment which is proposed to be made a criminal and cognisable offence, the District Magistrate says that this practice is frequent not only in industrial establishments, but in other offices, and even in some Government offices. The money-lender lies in wait on the pay day and pounces upon the unfortunate borrower as he comes out and recovers some of his dues. Actually the repayment of the dues of the money-lender is the first charge on the pay of the workman. Such action before an industrial establishment, he thinks, can be stopped by making it a criminal offence, but this can not be stopped altogether. The money lender will change his venue and will waylay the workman outside the forbidden limit of the establishment. Money-lenders are, in his opinion, a necessary evil and they are not altogether "pests" and they cannot be deported as *Goondas* because they are money-lenders. He suggests that the remedy is to devise means to prevent workmen from borrowing money from them but this is however another matter. He agrees that besetting an industrial establishment should be stopped and this can be done only by making it a criminal and cognisable offence.

(c) The District Magistrate of Purnea reports (1) that an industrial worker needs credit. For various reasons an industrial worker in India is a very unstable client in the money market. Hence the origin of the type of money-lenders, and their ways and methods of work and the usury characteristic of them. A real protection against the evil is provision of facilities for easy and equitable credit. That alone, he thinks, will replace the obnoxious money-lenders.

(2) An alternative remedy will be daily wages to workers obviating the necessity of credit to a great extent. This remedy will however be only partial for the demand of credit will still remain, though to a much smaller extent.

(3) The proposal of the Labour Commission affords no real protection. The Pathan will only withdraw outside the danger zone. He will beset the worker at his home and his methods will realise the dues. His demand will still remain the first charge of the workers' wages. If, however, the danger zone is extended to cover the workers' quarters and all other places he usually visits, he may thereby be free from molestation. But this method is crude and artificial. If affective, the money-lender will disappear and

with it, credit, a very necessary element in worker's life, which he thinks the state or the industry would not be able to replace.

(d) The Deputy Commissioner of the Santal Paraganas states that there are no important factories or leading Labour Associations in his district and that such industrial concerns as exist employ local labour residing in adjacent villages for the most part and they are protected by the ordinary laws of the Santal Paraganas. He has sent a note on the subject as a result of his experience of the Jharia Coalfields when he was the Additional Deputy Commissioner at Dhanbad, a copy of which is enclosed.

3. The proposal as it stands seems to refer only to industrial establishment. If the proposal becomes law it might be given a rather wider scope. When I was first in Patna the municipal sweeper staff suffered a good deal from money-lenders who waited about round the place of payment on pay day. I did not see much trouble of this character while I was at Jamshedpur. The question did arise, however, over the Labour Federation. The subscription to the rival Labour Association was collected through the pay bills. The Labour Federation had to collect its own dues. At first its agents attempted to collect in the works but the Company stopped this. Then they began collecting at the gates. It is undesirable that men should be pestered as they are leaving the works and the proposed legislation will help to restrict a nuisance, and cannot, in my opinion, do any harm.

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DEPUTY COMMISSIONER, SANTAL PARGANAS (MR. HOERULE).

It seems to me that the Royal Commission tend to overlook the fact that in many industrial areas such as the Jharia Coal Fields—

- (a) A large percentage of the labouring population is fluctuating. It comes into the Coal fields for short spells of work and then departs home after drawing wages sufficient to meet the requirements of the labourers in the villages for the payment of rents, etc.
- (b) Wages are paid weekly.
- (c) Loans are often taken on short terms on the express understanding that the labourers will repay them at the time of the weekly payment of wages.

2. These being the conditions it is idle to expect money-lenders to sue the labourers in the ordinary Civil Courts. They have no guarantee that the labourers have even given correct names and addresses or that they have in their own homes any properties which could be attached in execution of a decree. In the Coal fields not a small proportion of the labour is drawn the Santal Parganas where many restrictions are placed on execution.

3. It follows that to prevent money-lenders recovering dues at or near the pay desk of the industrial concern is practically to put an end to the money-lending business. I confess to thinking that this will be a doubtful advantage to the labourers until and unless some substitute is provided and it is not easy to see what substitute can be provided in the conditions. I doubt if either employers or organizations like Co-operative Banks would be willing to advance money against wages, and, even if they do, they would have to adopt the very practice which is deplored by the Royal Commission, namely, that of making deductions from the wages on pay day.

4. I cannot help feeling that the Royal Commission loses sight of realities. It speaks as if a labourer whose pay is cut for the repayment of dues is deprived of the necessities of life for himself and his family. Not only the money-lender but the labourer himself would reply that the money-lending system provides him with cash for the purpose of necessities of life for himself and his family in the interval before pay day.

5. I also think that there is too great a tendency to regard money-lenders as "pests to society" (I quote the actual term used by the Royal Commission). It is quite true that they charge high rates of interests because they have to face a considerable proportion of bad debts. Calculated on an annual basis, interest of one anna in the rupee per week looks enormous. It amounts to over 300 per cent. per annum. But, I doubt if the labourer himself considers it an unconscionable bargain if, for a loan of Rs. 4 at the beginning of the week, he has to pay Rs. 4-4-0 on pay day.

6. I can only say that in eight years experience of the Jharia Coal field, in the course of which all sorts of schemes were put forward for the amelioration of the condition of the mining population, and all sorts of grievances were raised by or on behalf of the mining population, I can never remember this particular point being raised. I can remember coming across some bad cases of extortion from permanently resident menials to whom money lenders applied on an annual basis rates of interest which are not unreasonable in the case of migratory labour; but no one ever made it a grievance that dues on loans advanced on the security of wages were deducted from wages, nor frankly do I see that there is any grievance. I think that it is an artificial grievance manufactured by labour agitators in order to impress labour members of the Labour Commission.

7. The above remarks do not of course refer to the charging of exorbitant interest on long term loans advanced on the security of attachable property. Here I consider that the remedy is the exactment of a same usuary law such as exists in the Santal Parganas. I fail to understand the reason why Government continues to "strain at a gnat and swallow a camel". It is always commenting on specific instances of the abuses caused by extortionate interest and especially compound interest, yet it always avoids taking the one simple step which is necessary. That simple step consists in--

- (a) absolute interdiction of compound interest.
- (b) the setting of a limit to the amount of recovery.

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#### TINPLATE COMPANY OF INDIA, LTD., GOLMURI.

Money lenders are not allowed inside our works to collect debts.

2. Money lenders are allowed to wait near the Works Gate on pay days and they utilise this opportunity to obtain payment from their debtors. Under present circumstances we do not think it necessary to remove this facility, nor do we believe in forbidding them access to the houses on our property.

3. Though there are undoubtedly many evils in connection with money lending, we feel that the money lenders' side of the question is sometimes in danger of being overlooked. The security obtained is often of the slightest and they are frequently defrauded by absconding debtors, and to deny them reasonable opportunity of collecting their debts may inflict unfair hardships. It must also be borne in mind that while the average borrower is quite ready to take a loan he is usually far from anxious to repay it.

4. By permitting money lenders to wait near the Pay Office they are enabled to ask for payment at a time when the debtor has money and is usually willing to pay. If the demand was delayed it is quite possible that the debtor would spend part of all of his money and be unable to pay the money lender thereby increasing the amount of outstanding interest. At our works Gate a force of Chawkidars is on duty on pay days and any money lender, who seemed likely to create a disturbance in demanding his money would be promptly turned away. This is apparently realised by the money lenders for we have no complaints to make of their conduct.

5. If we prevent them from waiting at the Gate, where they are under observation and some form of control, they will undoubtedly proceed to their

debtors' houses for collection, and this, as is well known, affords them opportunities of bringing intimidation to bear free from restraint. To forbid access both to the Works Gate and to the houses of debtors living on our property is neither fair nor practicable in our opinion.

6. Although it is outside the scope of the present memorandum we would suggest that the problem might well be attached from another direction, and suggest the following:—

- (a) Money lenders should be registered;
- (b) Maximum interest should be limited;
- (c) In decreeing suits brought by money lenders, care should be taken to fix the amount of the decree at a reasonable figure. Cases have come to our notice in which decrees have been passed for monthly or weekly instalments greater than the pay of the judgment debtor.

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#### TATA IRON AND STEEL COMPANY, LTD., JAMSHEDPUR

The proposal is aimed at preventing two practices associated with the recovery of debts from industrial workers. One of these practices is the system whereby money lenders are permitted by some employers of labour to enter the factory and to collect their dues before the workmen receive their pay. As far as this is concerned this Company has by special circular and orders arranged that no Pathans or money lenders will be allowed to enter the Works area either at the time of payment of wages or at any other time with a view to collect their debts or for any purpose whatever. As far as this practice is concerned, we have effectively put a stop to it.

2. The other and very common practice referred to is for money lenders to wait outside the factory gate, and to secure payment before the workmen can part with any portion of their wages. Although to a certain extent we may be able to put a stop to this practice without the help of Government legislation, we still consider that legislation is necessary to put a stop to it.

3. In the list of several deductions which this company is making out of the salaries of its employees a copy of which was submitted to the Royal Commission on Labour, as per Appendix "Q", one of the items is "Court attachment". The Company on the orders of the Courts is collecting money from the salaries of employees and paying the same into the Court for the benefit of the creditors. The law provides that in cases of such deductions on account of Court attachment not more than 50 per cent. of the pay of a workmen drawing Rs. 80 and above is attachable. In the case of those drawing between Rs. 40 and Rs. 80 any sum in excess of Rs. 40 is attachable, and in the case of those drawing Rs. 40 and under, no attachment against salary can be made.

4. The law also provides for the prohibition of the payment of a man's wages entirely in some cases where the Court considers that the debtor by wrong means is preventing the creditor from collecting his dues.

5. In our view the law is helping the creditor very considerably and it is advisable that some assistance should be given to the debtor although we are not convinced that the method proposed by the Royal Commission would be an effective one.

6. We have encouraged the formation of Co-operative Credit Societies in Jamshedpur and as a result the number of Kabuli and Up-country money lenders have been very markedly reduced. In spite of this fact, practically every entrance to the Works used by our workmen is beset by Kabuli and other money lenders during the period wages are being paid and at our town Engineering Department, which has a separate time and place of payment, Kabulis may usually be seen at the gates armed with big lathis waiting for their debtors on pay day.

7. On Saturdays when weekly labour is paid, itinerant cloth vendors who go around our villages during the week and sell cloth and clothes at exorbitant rates, on the promise of taking the money by easy instalments may be seen waiting near the gates for their debtors and they compel them to pay their dues as they leave the works.

8. Whilst making besetting an industrial establishment for the collection of debts a criminal and cognizable offence would prevent such way-laying of employees on pay days, we do not think it would be very effective in the long run as the creditor could still way-lay the debtor on his way home and compel him to pay his dues. It would, however, be more difficult for him to see all his debtors in this manner and we approve of the proposal of the Royal Commission. We think, however, that it would be more effective to legislate regarding the interest chargeable and thus remove the incentive these money lenders have for doing business amongst labour workers.

9. If "besetting" is prevented, the money lenders may still engage employees within the Works as their Agents to collect their dues on pay days giving them a commission on the receipts. To some extent this practice already prevails but we are doing our utmost to stop it in these works.

10. Under present condition, loans are lightly incurred and owing to their own folly the debtors are in no way protected. No receipts are given for partial payments or for interest paid and frequently after realising full interest for three years, a case is instituted for the full amount of capital and interest just before the debt become time-barred.

11. We approve of the proposals to make "besetting" a criminal offence and we consider that in addition legislation is urgently required to limit the amount of interest chargeable on loans.

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MANAGER, LOYABAD COKING AND BYE-PRODUCTS RECOVERY PLANT.

The Royal Commission's proposals will certainly mitigate the evil, but whether it is the best way is a moot point.

The money lender is quite aware that the borrower borrows not always from a necessitous point of view, but often on the principle of getting something for nothing, resulting in a clash of wits or force in achieving each his own particular object.

Again the majority of the labour in the coal field are seasonal in their coming and going, and the borrower very often, borrows on the principle of hoodwinking the lender as to his departure.

The proposals deal solely with the actions of the lender, no proposals or methods are suggested to make the borrower realize the consequence of his act in refusing to meet his obligations.

To my mind, the borrower should be made to realize the consequences of his act. Let him realize that within a given time after the act, that it becomes obligatory to meet his liability. The fear of the consequences to the borrower, the consequences being that he will have to pay back what he has borrowed on a fixed date, will do in my opinion much more in eradicating the evil than making the lender the primary culprit.

In view of my remarks, I would establish a system of licensed money lending, for a given area or to make it a punishable offence for any money lender to lend above a fixed amount commensurate with the borrower's earnings at a fixed rate of interest.

But what also would be of paramount importance to the borrower, in curtailing that inborn desire to get something for nothing would be, that the money he borrows he will have to pay back.

## COMMISSIONER OF THE PATNA DIVISION.

I have the honour to say that the District Officers and through them the Shri Bihariji Mills, Patna Flour & Oil Mills, and Ramchandram Naga Ram Rice and Oil Mills, were consulted in the matter. The consensus of opinion is in favour of the proposed legislation that "besetting an industrial establishment for the recovery of debts should be made a criminal and cognizable offence and that the term "besetting" be defined as loitering within the precincts or near or within sight of any gate or outlet of the establishment"; the Collector of Patna alone dissents. He considers that the proposed legislation is premature and that the average labourer of today in India will never pay that he owes except under some form of compulsion. The proposed legislation is in his opinion premature; apart from considerably lessening the labourer's borrowing power it will merely mean that instead of being more or less compelled to pay small debts whilst he has the money, he will allow them to run on till he cannot pay or is sold up.

2. The Collector of Gaya adds that though the proposal leaves a loophole for the money lender to beset his debtor at his house on pay day, it will if accepted, considerably cripple the money lender's activities, since he would be able to concentrate only on one debtor on any particular pay day and even that debtor will have a decent chance to purchase his necessities and those of his family before he is made to part with the remainder of his wages. He is of opinion that, as suggested by the Bombay Central Banking Inquiry Committee, the Executive should be given power to deport certain undesirable money lenders. This combined with the operation of the law making the besetting of an industrial establishment a criminal and cognizable offence will probably eradicate the evil almost completely.

To deal with the evils in question he suggests that employees in industrial establishment should be made legally incompetent to contract debts from any body except a *bona fide* co-operative lending and borrowing concern. This is a counsel of perfection in the present state of the country.

3. The Collector of Shahabad in supporting the proposed legislation, mentions that the evil to which the Commission refer is to be found on a small scale even on Chaukidari pay parades and there can be no doubt that considerable intimidation is being brought to bear upon workers on pay day by unscrupulous money lenders. The proposal of the Commission, he thinks, should hold in check such undesirable practices which are rapidly increasing.

4. The Labour Commission apparently hold the view that the money lender is an unmixed evil, disregarding the fact that he performs useful function in the economic life of the people and is entitled to recover money which he has lent, often with practically no security. So far as this province is concerned, I do not consider that legislation on the lines proposed is either necessary and desirable; it would be extremely difficult to enforce it equitably and would probably give rise to grave abuses. As to the necessity for this sort of legislation in more purely industrial areas, I am unable to offer any opinion.

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(9)

CHIEF COMMISSIONER, DELHI.

I have the honour to forward, herewith, copies of the opinions of the Bar Association, Delhi, the Secretaries of the Punjab Chamber of Commerce, Delhi, the Industrial Surveyor, Delhi, and the Inspector of Factories, Punjab, and to state that I think there are at any rate strong grounds for the proposal that besetting an industrial establishment for the recovery of debts should be made a criminal and cognizable offence. It would at any rate militate against the present practice of Pathans and other itinerant money lenders recovering debts from the factory workers by intimidation within and immediately outside the factory premises.

The officials organisations and the large industrial establishments in Delhi who have been consulted in addition to those mentioned in paragraph 1 above, seem agreed that such a law should prove of use in protecting the borrower from unscrupulous money lenders.

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**BAR ASSOCIATION, DELHI.**

My Association fully agrees with the recommendation of the Royal Commission on Labour, loitering of Pathan and other money lenders in or about industrial concerns be made a criminal and cognizable offence.

The proposal of the banking committee that such persons be deported or that habitual usuary be made a criminal offence are extreme measures and may be considered later and we should see the result of the recommendations of the Royal Commission. We may point out that this legislation should apply to labour of municipal and other big organized concerns.

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**PUNJAB CHAMBER OF COMMERCE, DELHI.**

Our Committee agree that strong measures should be adopted for putting down the practice of besetting factories for the purpose of collecting debts especially when such besetting involves an element of intimidation. The employment of threat or violence by a creditor to recover his dues from the workman should render him liable to prosecution.

On the other hand, it should be borne in mind that the greater the difficulty in the way of recovering debts the higher the rate of interest charged tends to become. The Committee would therefore recommend care being taken to see that the proposed legislation while protecting workers from money lenders who resort to extra-legal methods does not render borrowing a matter of great difficulty for them.

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**INDUSTRIAL SURVEYOR, DELHI.**

I have consulted the leading representatives of employers, employees and others interested in the problem and so far as I can gather, they look with favour to the contemplated measures which will undoubtedly go for ameliorating the conditions of labour and humanising the conditions under which they work.

2. It is an acclaimed fact that the majority of industrial workers are in debt. Further, the burden of indebtedness is aggravated out of all proportions by the rate of interest which not uncommonly 150 per cent. has to be paid. The amount of debt varies from a few rupees to many times the monthly income. The prompt repayment of debt is not usually desired by the money lender who prefers to remain a creditor and receive interest. This they realise by a variety of methods. The creditors are seen either waiting outside the factory-gate on pay-day ready to pounce on their victims as they emerge or lurking about the quarter of the worker—threat of driving the debtor to court or the use of lathi being their usual weapon. A number of cases have been reported when the money lender—usually a bania or a pathan—takes from the worker the whole of his wages with no other recourse for the worker left but to borrow again thereby losing the remotest hope of paying off the debt or reducing the principal. The evil done by indebtedness is not confined to the hardship involved in the loss of money but it also degrades the employee and impairs his efficiency. Laws against usury, conventional and the Usurious Loans Act of 1918, it is agreed, have unfortunately been generally unsuccessful.

3. In the circumstances, the legislation proposed by the Commission appears desirable to relieve the industrial worker of the undue stress and strain of repayment of loan and interest leaving scope for genuine money lending business on cheap rates.

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(10)

GOVERNMENT OF MADRAS.

I am directed to state that the Commissioner of Labour, the Advocate-General and the High Court were consulted in the matter. The Commissioner of Labour has also obtained the views of some representative employers of labour. Copies of the replies received are enclosed.

2. The Government of Madras accept the Royal Commission's proposal and offer the following observations.

The forcible collection of dues by extra legal methods such as the use, or the threat of the use, of *lathi* is by no means of wide prevalence in this Province, but this Government agree that resort to such extra legal methods should be effectively prevented by making them cognizable offences where they are not so already. They however, feel doubtful whether the making of "besetting an industrial establishment" a cognizable offence will, by itself, effectively prevent the creditor from having his toll before the worker's necessities have been met. If the lender is prevented by law from loitering in or near a factory, he can certainly get hold of the worker at some distance from it before he reaches home or at his home itself but before he has made any disbursements out of his wages. One way of preventing such a contingency is to make arrangements for the labourer getting all the necessities for himself and his family from co-operative stores attached to industrial establishments and for the cost of these necessities being deducted first before the balance of wages is paid to the worker. Such co-operative stores are run by the Buckingham and Carnatic Mills in Madras. This Government recognise that the running of co-operative stores is not always practicable in the case of smaller establishments. In such cases the workman might perhaps be given a coupon or order on some outside co-operative stores but even so the money lender might take the coupon off the workman before he could get to the stores at a value less than its real value, and even if a workman was paid in kind the money lender might still take some of the grain given to the workman in part payment of debt and would probably not allow full value for the grain so taken. The Government of Madras would all the same suggest that the running of co-operative stores for workers in industrial establishments, at any rate in larger establishments, and making it compulsory for each worker to become a member of such stores and obtain all his necessities from it should be seriously considered for inclusion in the legislation proposed, as such a course would afford adequate protection to some thousands of workmen and contribute largely to the achieving of the object of the legislation now proposed, namely, preventing interest and repayment of debt from becoming a first charge on the worker's wages.

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COMMISSIONER OF LABOUR, MADRAS.

I agree to the principle that besetting should be stopped. It is very difficult to suggest adequate means of doing so. The suggestions of the Inspector of Factories IV Circle seem to me most reasonable but the expansion of co-operative societies would be a great step forward and if this is practicable, it might be made compulsory in industrial establishments.

GODAVARI CHAMBER OF COMMERCE.

My Chamber endorses the view expressed by the Royal Commission on Labour at pages 235-236 of their report that besetting an industrial establishment by unscrupulous money lenders, for the recovery of debts from the wage-earners, be made a criminal and cognizable offence. It is in the common experience of all that the usurious money lenders pounce and prey on helpless workers in season and out of season, use objectionable and questionable methods of intimidation and coercion to extract their pound of flesh from them by which the lives of the latter are made miserable. This practice of besetting, if permitted to continue, implies that the money lender is allowed to make his demands a first charge on industrial wages. My Chamber is of opinion that these men who thus have recourse to extra-legal methods ought to be given exemplary punishment, the measure of which is to depend on the conditions of various industrial establishments and the circumstances of individual cases. This is no doubt difficult to gauge properly, but if achieved even to some extent, ensures three results *viz.* (1) Preventing Private debts from becoming a first charge on industrial wages, (2) bringing to book the greedy money lender, and (3) encouraging the ideas underlying public morality and social policy.

But the above can only protect the wage-earner from temporary trouble, since nothing prevents his creditor from having recourse to ordinary law or by transferring his rights for consideration to some one else, in case he is deprived of his liberty by a court of law prosecuting him for besetting. So one has to go to the root of the matter. Among other things it can be suggested that the money lenders may be required to give notice, about the debts due to them by workers to responsible officials of industrial establishments and are to abide by their arbitration, one item of the award being payment by easy instalments.

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AGENT, SOUTH INDIAN RAILWAY CO., LTD.

With reference to your letter No: D.-1-5297/32, dated 16th September 1932, I have the honour to inform you that money lenders are not allowed to enter our workshops and collect their debts before the workmen receive their pay. Money lenders are, however, generally found outside our Workshops and within office premises on pay-days. They are also found sometimes in our colonies, which they enter obviously for the purpose of collecting their debts from the employees living there.

2. I agree with the recommendation of the Royal Commission on Labour that the loitering of money lenders within Railway premises should be made a criminal and cognizable offence. This, and the step proposed by the Government of India with regard to protecting a portion of salary should help the workmen to a considerable extent.

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MADRAS TRADES ASSOCIATION.

This Association is in complete agreement with the proposal put forward.

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CHAIRMAN, MADRAS PORT TRUST.

I am in agreement with the policy of doing all that is possible to discourage the type of money lender who thrives on lending money to workmen at extortionate rates of interest.

2. I consider that besetting an industrial establishment for the recovery of debts should be made a criminal and cognisable offence. It is particularly undesirable that money lenders should obtain access to the interior of factories or workshops in order to collect money due to them.

3. It is less objectionable that such persons should wait outside the factory or workshop gates in order to catch their victims as they emerge with their pay. This practice may to some extent be controlled by the Police who can deal with any cases of violence that occur.

4. It is true that the removal of the money lender from the vicinity of working places may only have the effect of forcing him to go to the workmen's own homes and bring pressure to bear on the workmen's families. On the whole, however, it seems likely that in many cases the workman's wife is better qualified to deal with the money lender than the workman himself. In any case there is more chance of the workman's family securing his wages before they fall into the hands of the money lender, and the latter will have greater difficulty in making repayment of his loan the first charge on the workman's wages.

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#### MADRAS CHAMBER OF COMMERCE.

The members of this Chamber have carefully considered the matter and I am instructed to state that in their opinion the practice of besetting the precincts of factories in order to collect debts is one that it is very necessary to put down, for the reasons given both in the recommendations of the Royal Commission on Labour and in the Government of India's letter.

The Chamber therefore supports the proposed measures.

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#### EMPLOYERS FEDERATION OF SOUTHERN INDIA.

In the opinion of members of this Federation the practice of besetting an industrial establishment for the purpose of collecting debts is diminishing, and the exclusion of money lenders from the immediate vicinity of factories is not in any case likely to make much difference. A better way to combat the evil, it is suggested, is by the extension of Co-operative Societies, where work-people can borrow on reasonable terms, and Co-operative Stores, where they can obtain the necessities of life and have the cost deducted from their wages, out in view of the fact that the smaller industrial establishments are unable to run their own Co-operative Societies and Banks, my Federation is of opinion that legislation on the lines suggested by the Royal Commission on Labour seems to be necessary.

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#### AGENT, MADRAS AND SOUTHERN MAHRATTA RAILWAY CO., LTD.

I see no objection to the proposal of the Royal Commission on Labour that besetting an Industrial establishment for the recovery of debts should be made a criminal and cognizable offence.

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#### BUCKINGHAM AND CARNATIC COMPANY LIMITED.

For the reasons given below the workers of the Buckingham and Carnatic Mills are very little affected by the practice of besetting for the recovery of debts.

We do not allow anyone inside the Mills for the purpose of collecting debts or money in any circumstances. We cannot, of course prevent money lenders waiting outside the Mill gates, but in our case the number is not sufficiently large to be considered a nuisance. The reason for this is probably that as a result of the Workmen's Stores and Co-operative Society run in connection with the Mills the workers are not so much indebted to money lenders as is generally the case.

The great majority of our workpeople obtain the necessities for themselves and their families from the Workmen's Stores, the cost of which is recovered from their wages, so that the payment of interest and repayment of debts cannot in their case be a first charge on wages. The monthly turnover of these Stores is Rs. 1,00,000.

The above circumstances do not apply to most other industrial establishments in this country, and we believe the practice of besetting to be very prevalent in other concerns. We therefore, agree with the recommendation of the Royal Commission on Labour in India that the practice should be made a criminal and cognisable offence.

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#### COCHIN CHAMBER OF COMMERCE.

In the first place it is admitted that the proposal referred to may be necessary in Bombay, Calcutta and other places where it is understood that money-lenders are frequently a menace.

So far as the Chamber is aware however there are no money-lenders in this District prepared to lend-money except against ample security, and therefore the practice of "besetting" industrial establishments for the recovery of debts does not exist. The first practice cited by the Commission, that of money-lenders being permitted by employers to enter factories to collect their dues, would not be permitted here.

It appears to us that so long as the borrower is protected against the "extra-legal means" referred to, it would be unjustifiable interference with the rights of the lender to prevent him attempting to collect his dues at what probably is the only time when he has any chance of success.

Furthermore we are not satisfied that a part payment on account of debt should not be regarded as a just charge on wages.

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#### UNITED PLANTERS' ASSOCIATION OF SOUTHERN INDIA.

I am directed to inform you that my Association fully concurs in the desirability of preventing the besetting of Industrial Establishment for the purpose of recovering debts at time of payment of wages, but on the other hand restrictive legislation of the type proposed, would have to be most carefully drawn up to preclude the possibility of evasion of just dues by the unscrupulous use of the protection afforded.

My Association considers also that the inclusion of plantations together with Industrial Establishments should be recognised although perhaps in practice this presents certain difficulties, but legislation should be extended further in declaring the granting of credit by shopkeepers in planting areas a cognizable offence or if this is not feasible, an enactment might be passed making it unlawful for shopkeepers in such cases recovering debts in the courts.

If plantation labour is to be kept free from debt—a point on which the Royal Commission has laid such stress—then some such legislation is, in the opinion of my Association, really necessary.

## SOUTHERN INDIA CHAMBER OF COMMERCE.

I am directed to say that my Committee see no objection to the acceptance of the recommendation of the Royal Commission on Labour that "besetting" an industrial establishment for the recovery of debts should be made a criminal and cognizable offence.

## COCANADA CHAMBER OF COMMERCE.

I am directed to state that in the opinion of this Chamber the practice of besetting Industrial Establishments such as factories, etc., for the collection of debts should be put down. This Chamber therefore is in agreement with the reasons given in the recommendations of the Royal Commission on Labour, and the Government of India's letter and in consequence, supports the proposed measures.

## CHIEF INSPECTOR OF FACTORIES, MADRAS.

In forwarding herewith the remarks of the Circle Inspectors I wish to state that besetting of industrial establishments by money-lenders does not, as far as my experience goes, appear to be of wide prevalence in this Presidency. The Royal Commission on Labour refer to the harassment of industrial workers by professional money-lenders who beset industrial establishments for the purpose of recovering loans advanced to them. As pointed out by Mr. Krishnaswami Ayyar, it is likely that factory operatives are similarly oppressed by money-lenders such as Sirdars and Maistries who are members of a factory establishment. I agree with the Inspectors in stating that methods of collecting dues adopted by money-lenders from without and perhaps from within the factory are prejudicial to the welfare of workers but it is doubtful if any provision relating to money-lending or the usurious practices connected with it could in the fitness of things, be made in a Factories Act. Special legislation on the lines of the Truck Acts in England may therefore be introduced to prevent money-lenders from making debts a first charge on the wages of industrial workers. It may for instance be stipulated that the wages of every workman in an industrial establishment shall be paid in full and in cash unless reductions are made for payment of articles supplied by the management from a Workmen's stores or made in the factory at the workmen's request. This should not however prevent an employer from making deductions for fines inflicted on disciplinary grounds or for bad workmanship. A provision of this kind will make it impossible for any money-lender to recover his loans at the pay desk of a factory. As suggested by Mr. Krishnaswami Ayyar, the enactment should further decree that every money-lender shall register his name and conduct his business in a specified place or places licensed for the purpose and that he shall not attempt to collect his dues from industrial workers except at the workers' residences or at his own registered office. As a corollary to these two provisions of law, it may then be definitely laid down that besetting an Industrial worker for the purpose of collecting debts shall be a criminal and cognizable offence. Similarly to all measures meant to remedy economic evils of this kind, the success of the legislation will depend on the agency appointed to administer the Act. In my opinion it will be neither proper nor expedient to impose this duty on the Factory Inspection staff; the Police Department, it seems to me will be best suited for the purpose. I may also state that legislation of this kind though seemingly perfect in theory will not be really so in actual practice due to the illiteracy and ignorance of the workers who are at present unable either to realise the evils of indebtedness or to co-operate in the extermination of its root-causes.

## INSPECTOR OF FACTORIES, III CIRCLE.

I. *Recruitment and how the debt of the industrial worker begins to beset him from the beginning of his career in an industrial undertaking.*—An Industrial worker comes from the rank of an agriculturist. When he arrives from the village at an industrial centre, he has to seek the assistance of a Sirdar, or Jobber or Mukadam or Maistry for the work. In the absence of any recruiting officer or any responsible Labour Officer on behalf of a concern, the sirdar or maistry is the individual who finds labour for the concern and whose chief qualification is mainly judged in proportion to the amount of labour he is able to recruit for a concern. The sirdar or maistry is generally uneducated and consequently unscrupulous in his methods of recruitment and he begins to play the role of a fond parent towards the recruit who is an innocent, poverty stricken and helpless villager. The recruit is obliged to take the terms dictated by the sirdar or maistry in order to obtain work, at a great sacrifice and hardship. To put it in the plain language the sirdar or maistry advances him for his maintenance for the first month's work for which the recruit can draw his wages only on the 2nd week of the succeeding month, besides the amount he debits him for purchasing him the job. So much so the worker on his first pay day finds to his regret that he has not earned sufficient to meet the purchase price *plus* the amount advanced to him for his maintenance together with the exorbitant interest which is nothing under 2 annas in the Rupee. The sirdar or maistry finds it a very easy job to collect all the above said items in collusion with the disbursing staff which is a very common and every-day practice in all the most of the big industrial undertakings.

II. Then comes the Kabuli or the Marvadi or the Bania money-lender who is not in such an advantageous position as the sirdar or maistry who operates from the inside, has by force deprives him of the very little amount left after being fleeced by the inside sirdar or maistry.

*Remedy.*—I would therefore suggest that, in order to protect the worker from the oppression of his immediate superior, the sirdar or the maistry, who extracts work from him, suitable penal actions should be enacted prohibiting the pernicious practice of the money-lending, by any one directly or indirectly employed in or connected with the concern. So the acquittance roll of each worker must be checked and certified to the effect that the payment made direct into the hands of the worker by the notified manager of the concern who shall be answerable to the Factory Inspection Staff for the carrying out of the proposed rules.

Regarding the outside money-lenders, *i.e.*, Kabuli, Marvadi or Bania, I propose that they should be licensed on the lines of Pawn-brokers in Burma and the Government should fix a limit of the amount of interest which could be charged and at the same time make such rules as to realization of the amount limit in easy payment system, payable at the registered office of the licensee.

In my opinion sufficient protection to the worker be given by suitable enactment in prohibiting the money-lenders trying to collect their dues at any place, other than the Worker's residence or the registered office of the licensees (the money-lender). The Magistracy or the Police should have only power to administer any enactment which may be made on this behalf.

## INSPECTOR OF FACTORIES, II CIRCLE.

I have no special remarks to offer, except that I agree with the proposal of the Royal Commission on Labour that besetting an industrial establishment for the purpose of collecting debts be made a criminal and cognizable offence.

On the first day of every month or on any day on which payments in factories to workmen are made, a board in English and in the language of the majority of the operatives should be put up at the entrance to the factory mentioning therein that money-lenders are strictly prohibited from entering the factory premises or loiter near or within the sight of the gate for recovery of debts from the operatives.

Any violation on the part of the manager either in failing to put up the above said notice or in allowing money-lenders to enter the factory premises, to collect debts from operatives shall be punishable with fine, which may extend to Rs. 50.

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#### INSPECTOR OF FACTORIES, IV CIRCLE.

I fully agree with the proposal of the Royal Commission on Labour that "Besetting an industrial establishment for the purpose of collecting debts" should be made a criminal and cognizable offence for the reasons stated by them on pages 235 to 236.

Money-lenders who wait outside the factory gates on the pay day forces the workmen to pay their interest and repayment of the debt out of their wages straight away before they could leave the factory premises. Thus the workmen are compelled to make these disbursements before his, and his family's necessities are purchased, with the result that these workmen have to borrow money again at higher rate of interest to meet their necessities, and thus they sink deeper into debt.

I have also known some sad cases, while I worked in Bombay some 27 years ago, that even women folk of some of these workmen who were heavily indebted, fell into the clutches of these wicked Kabuli and Pathan money-lenders, and became the victims of their lust. I know many cases of workmen whose borrowings of a trifling sum at times had led in a few years to a permanent heavy load of debt, and in a number of cases a stage is reached when the money-lender takes from the worker the whole of his wages, paying him only sufficient for subsistence, and even puts the members of the worker's family to work on a similar basis.

I fully agree with all the remarks contained in Chapter XIII of the Royal Commission on Labour on indebtedness.

When "Besetting an industrial establishment" is made into a criminal and cognizable offence by law these money-lenders will find it dangerous, and unprofitable to advance amounts of money to workers, which are beyond their power to repay. As the workmen as a class are all illiterate and ignorant at present their knowledge of their legal rights and capacity to invoke them are both limited.

Hence I will suggest that every big industrial establishment must have a co-operative society or stores of their own, to supply all the necessities of life to these workmen, the value of purchases can be deducted from their wages monthly, and all workmen must be compelled to join a provident fund paying at least four annas or eight annas, or a rupee according to their wages every month. They can draw upon their provident fund savings in times of sudden emergency, instead of falling into the clutches of the money lenders. This will also inculcate in them a habit to save at least 4 to 8 annas a month by every earning member of the family.

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#### INSPECTOR OF FACTORIES, V CIRCLE.

I have the honour to state that, in view of the detailed observations made by the Labour Commission on this subject in pages 224—242 of their report, "besetting" an industrial establishment for the purpose of collecting debts, should be made a criminal and cognisable offence.

The existing law should either be amended or a new Act enacted to (1) exempt salary and wages of a workman receiving less than Rs. 100 per month from the possibility of attachment (2) limit the amount for attachment towards redemption of debts incurred to 10 per cent. of the total earnings of a workman who gets between Rs. 100 to Rs. 200 (3) to abolish the arrest and imprisonment of a workman for realisation of debts who received wages and salaries less than Rs. 100 a month (4) make a statutory provision for all perennial industries to open a debt redemption account for each workman employed and to collect 10 per cent. of his earnings to pay off debts incurred prior to the enactment of the law. If there is no debt to be repaid by a workman, his contribution should be treated in the same way as a provident fund contribution and the sum with accrued interest to be paid to him in a lump sum at the time of his retirement or of leaving the establishment. Though it will involve extra work and increased expenditure under establishment charges, it will be more than compensated by the increase in output due to greater efficiency.

I may suggest that incidence of debts will be wiped out to a very great extent, if weekly payment of wages is introduced in all the industrial establishments.

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INSPECTOR OF FACTORIES, VI CIRCLE, TRICHINOPOLY.

A new legislation on the lines indicated by the Commission will discourage money lenders to advance loans to low paid workers in the industrial establishments. I am of opinion that this is essential in the interests of employers and employees. The employers should also take initiative in dissuading their employees not to go in for loans habitually for the simple reason such as festivities and marriages beyond their means. This can be secured by forming co-operative societies with rigid rules and regulations regarding the grant of loans and interest approved of by Government. The workers should be prohibited from going in for loans outside the recognised societies.

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ADVOCATE-GENERAL, MADRAS.

I have no special remarks to offer on the general question of policy underlying the proposed legislation.

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REGISTRAR, HIGH COURT, MADRAS.

I am directed to state that the Hon'ble the Judges are not in favour of the proposed legislation. They consider it undesirable to make "besetting an industrial establishment for the purpose of collecting debts" a criminal offence.

It is not advisable when creating a new offence to invent a phrase which nobody understands and to put the interpretation among the definitions. Deductions by the employer should be made illegal (not criminal) but nothing would justify making it a cognizable criminal offence for a money lender to visit a factory (perhaps by appointment) in order to collect his lawful dues on pay day. All creditors adopt the same business principle and borrowers are everywhere accustomed to receive demands on or soon after pay day. Pressure is always applied by the lender to the borrower at the most favourable moment.

The proposed legislation appears to their Lordships to be no better than the evil complained of.

(11)

## GOVERNMENT OF THE PUNJAB.

The various Labour Unions are unanimous that the proposal is desirable. The Punjab Provincial Trades Union Congress would except from the scope of any legislation which may be passed persons duly authorised by labour organisations and unions, registered under the Indian Trades Union Act, to collect subscriptions from, or enlist, members. The associations connected with trade and commerce are also in favour of the proposal, but are anxious that any legislative action which may be taken should not penalise money lenders in recovering their legitimate dues in a legitimate way; and they point out that the greater the difficulty of recovering debts the higher the rate of interest is apt to become.

2. The Governor-in-Council, after consideration, is of the opinion that provided legislation does not go further than the Royal Commission has suggested, the proposal may with advantage be adopted.

(12)

## GOVERNMENT OF BURMA.

The Local Government has consulted its officers, Bodies of employers and Labour Organisations on the subject. Copies of the replies which are worth consideration are forwarded herewith. Of these the most important one is the letter from the Director of Statistics and Labour Commissioner, Burma.

2. The Local Government is very diffident of the success of the proposed legal measure which does not seem to be either effective or practicable and considers that the real remedy lies in mass education, provision of credit facilities, and proper organisation of labour together with the advance in the technique of industry.

3. The proposed measure, if adopted, will effect both the credit facilities and the rates of interest adversely and it is doubtful whether this is in the real interest of the worker as long as borrowing remains a practical necessity for him. The measure is really directed against the use of intimidation in the collection of debts and for many obvious reasons it would be only a partial remedy. The Local Government is therefore opposed to the proposed legislation.

## BURMA CHAMBER OF COMMERCE.

I am to say that this Chamber recognises the evils of besetting and is prepared to support legislation designed to put a stop to it. It is, however, clear that any legislation against besetting, as defined by the Royal Commission, cannot be applied to cases where the money-lender is himself a fellow employee of the debtor. It is undoubtedly true in many cases that jemadars and durwans and other employees do themselves practise money-lending to their fellows, though this is in almost all cases without the knowledge and certainly without the countenance of the employer. It is probable, however, that the element of force does not enter into such cases, although the lender's position may enable him to exercise a certain amount of coercion over his debtor. The case is, therefore, not on all fours with that apprehended by the Royal Commission and will have to be dealt with separately.

## BURMESE LABOUR BUREAU.

The Burmese Labour Bureau is in full agreement with the principle underlying the proposal of the Royal Commission on Labour and to urge Government to take steps to give practical effect to it.

The Bureau has received many complaints regarding the method and manner in which wages are paid in Rangoon to Dock labourers, but the Bureau has the matter under consideration and will address the Government again in regard to it.

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COMMISSIONER, FEDERATED SHAN STATES.

I have the honour to enclose herewith a letter from the General Manager, Burma Corporation Limited, to whom the proposal has been referred.

2. I am in entire agreement with the proposal. It may be doubtful whether money-lenders of the type concerned would not find some method of evading the proposed restrictions on their activities but I am strongly of opinion that some such measure as has been suggested should be tried.

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GENERAL MANAGER, BURMA CORPORATION LTD., NAMTU.

We are of opinion that besetting an industrial establishment for the recovery of debts should be made a criminal and cognizable offence, besetting being defined as loitering within the precincts of near or within sight of any place where wages are being paid to workmen.

As far as our organization is concerned, money-lenders are on no account permitted to enter a factory, nor are they allowed to mingle with the workmen within reasonable distance of the office at which wages are being disbursed.

It has been observed by our officials who disburse the wages at Namtu and at the Mine in Bawdwin, that in spite of our regulations to prevent these men from carrying on their nefarious business right under our eyes, they still hang around the outskirts of the paying operations, that is outside the Time Office gates at Namtu and at Bawdwin on the main thoroughfare where the stream of workmen who having drawn their wages have to pass in order to return to their homes.

We strongly support the proposal that special legal action is necessary in order to protect the workmen from this menace, and especially in view of the exorbitant rates of interest charged by the money lenders.

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BURMA INDIAN CHAMBER OF COMMERCE.

My committee approve of the proposal of the Royal Commission on Labour that besetting an industrial establishment for the purpose of collecting debts should be made a criminal and cognisable offence. In doing so, they presume that under this proposal only the money-lenders, that is only those who have lent actual cash to the labourers will be penalised and that there is no intention whatsoever of penalising those who have supplied to labourers provisions and other necessities of life on credit. My Committee apprehend that if the latter also are penalised, it will be difficult for the labourers to obtain their necessities of life on credit which is not likely to be to their advantage. My Committee are therefore of opinion that the supply of necessities of life on credit should not be interfered with in any manner.

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COMMISSIONER PEGU DIVISION.

The proposal of the Royal Commission is that the besetting of an industrial establishment for the recovery of debts shall be made a criminal and cognizable offence, the besetting being defined as loitering within the

precincts or near or within sight of any gate or outlet of the establishment. The opinions of the Deputy Commissioners of this Division upon this proposal are summarised below.

*Prome* (Mr. Pearce).—He sees no objection to the proposal.

*Pegu* (Mr. Wise).—He agrees that besetting of the kind described should be made a criminal and cognizable offence but states that it seems to him doubtful whether this will remedy the evil. It will place an obstacle in the way of the unscrupulous usurer recovering his debts but this obstacle will not be insurmountable, and it will be optimistic to hope that his activities will be appreciably curtailed.

*Hanthawaddy* (U Chit Maung).—He has no objection to the passing of a measure of the kind suggested, but he suggests that there is much to be said for the other party, namely, the money lender. He says that these people often play the role of an earthly saviour to those who find themselves in the need of an immediate loan. Such loans are given mostly without mortgage or security, and they make loans to menials and other labouring classes without even knowing whether the latter will not move away to unknown destinations. He states that these money lenders appear at industrial establishments or public offices on pay day with a view to collect their outstandings. If they do not do so it is almost a certainty that the borrowers will not go to the lenders to make repayments. He suggests that the world cannot go on without borrowing, and if these money lenders are penalised for besetting industrial concerns and public offices it is not impossible that more harm will be done to those who are in need of succour by way of taking loans than to those who make them. If money lenders are barred the menial and other labouring classes will have no other means of getting the succour they are badly in need of. Borrowers frequently have not the least hesitation to use all the cunning and strategy in their power to dodge their creditors. He ends, however, by saying that if the borrowers do not borrow the methods complained of will naturally fade away, and borrowers themselves will learn how to live within their means by spending less on social obligations which often make a hole in their slender purses.

*Insein* (Mr. Lees).—He states that it is probably very desirable to give effect to the proposal in highly industrialized areas, but he does not think that it is much required in the Insein District. He suggests that a measure which could be applied by the local Government to areas where the conditions require it would probably be suitable.

*Rangoon* (U Hla Bu).—He forwards copies of reports from the Burma Chamber of Commerce, the Chinese Chamber of Commerce, the Burma Indian Chamber of Commerce, the Burma Labour Association, the Burmese Labour Bureau and the Commissioner of Police. As indicated in a letter from the *Burma Chamber of Commerce* to your address the Chamber supports the legislation proposed but indicates that it is clear that it cannot be applied to cases where the money-lender concerned is a fellow employee of the debtor. The Chamber refers to the jemadars, durwans and other employees who practice money lending to their fellow workers.

*The Burma-Indian Chamber of Commerce* suggests that the proposed legislation should not apply to persons who have supplied labourers with provisions and other necessities of life on credit but only to the persons who have lent money.

*The Burma Labour Association* supports the proposed legislation and suggests that the offence should be punishable with a fine extending up to Rs. 100 only.

*The Burmese Chamber of Commerce, the Chinese Chamber of Commerce and the Burma Labour Bureau* approve of the legislation.

*The Commissioner of Police* writes as follows:—

“I think this is an excellent suggestion. As regards conditions in Rangoon, Kabulis are the worst usurers and one of their methods of recovering their money is to haunt the places of employment of their debtors, keeping them in a state of fright the whole time their employers will know of their indebtedness or get annoyed at scenes created by the Kabuli, and dispense with their service”.

The District Magistrate himself also approves.

*The Collector of Rangoon*, (U E Cho).—Agrees that Government should take the legislative action proposed.

*Tharrawaddy*. (Mr. Lindop).—Mr. Lindop on the other hand does not consider the proposal practicable. The real offence aimed at by the Labour Commission, he states, is apparently intimidation, and this is already legislated for in the Indian Penal Code. He goes on:—“If the Labour Commission aims at absolving the labourer from all responsibility for—debts as appears probable from the paragraph “Attachment of wages and Salaries”—then I consider that the real remedy lies in making it a criminal offence for anyone on a salary of less than Rs. 300 per month (the Labour Commission figure) to incur a debt. At present the labourer borrows on no security but his wages. If the law is to be operated to prevent the lender recovering from the labourer’s wages through a court, while still permitting the labourer to borrow, the only remedy the lender has is to catch the labourer before he can dispose of his wages. To stop an Indian lending money, if he has two pice to lend, is as impossible as to stop a Burman borrowing two pice if he has credit for two pice. It will be necessary first to change the nature of the people concerned before any law on the subject would have any effect. Any legal enactment on the lines recommended would, in my opinion, merely lead to abuses.

2. I agree with Mr. Lees in suggesting that legislation on these lines is probably not required except in industrial areas. If a law to this effect is passed I therefore agree that it should be a law which the local Government should be empowered to extend to areas where it may be required. It is obvious that the Royal Commission has set out with the definite intention of reducing the credit of the workmen. I think it is clear that if a law was passed with such a sanction as that given in the opinion of the Burma Labour Association, it could have but little effect. I also see no reason for assuming that the Royal Commission ever intended to make any such distinction between the lending of money and the providing of labourers with provisions and other necessities of life on credit, such as is referred to in the opinion of the Burma-Indian Chamber of Commerce. Such persons recovering their debts may be as much of a nuisance as the men who have lent money, and if the one should not be proceeded against it seems to be difficult to justify proceeding against the other. The Burma Chamber of Commerce also has indicated a class of lender, the fellow workmen, to whom the law could not be applied. On the whole I think that probably the effect of legislation such as is proposed would be worse than the evil it is intended to meet. If the money lender resorts to intimidation action should be taken against him on that account. I would prefer therefore merely to make the offence of criminal intimidation under section 506 of the Indian Penal Code a cognizable offence, as I do not think there is sufficient justification to destroy or to diminish the credit of the working classes as is the obvious intention of the Royal Commission. The Commission in fact suggests that if the larger loans were not advanced, the worker would probably find it easier than it is to borrow the smaller sums necessary to tide him over hard times and repay these without undue delay. I think it probable that the lender would not get back these smaller sums, if he did not approach the borrower at the time when he has received his wages.

3. In regard to further suggestions I observe that the only one which has been made in the replies received by me to which I think it is necessary to refer is the suggestion of the Deputy Commissioner of the Prome District.

The Deputy Commissioner refers to the paragraph in the Commission's report on the attachment of wages and salaries. He states that the clerical staff of Government office is just as easy a prey to money-lenders and he presumes that "workman" is used in the wider sense of "worker", and he recommends that if the salaries and wages of workers receiving less than Rs. 300 a month are to be exempted from attachment, then in the case of Government employees, the formula to be applied might be that the pay and allowances of all non-gazetted officers, whether ministerial or executive, should also be exempted from attachment. In this connection I note that the Commission suggests that it is possible for a money-lender to secure the attachment of the wages of anyone who is not a labourer or a domestic servant. I doubt whether this is a correct statement of the law in force. I think that except for the classes referred to in clause (i) of the proviso to section 60, sub-section (1), of the Code of Civil Procedure the salary of a private person can only be attached after it has become due. Under the clause I have referred to it is only the salary or allowances equal to salary of a public officer and a servant of a railway company which are liable to attachment to the extent provided before they become due. Whether this be so or not, the Commission is certainly wrong when it goes on to suggest that it is possible to attach half of an employee's salary or the amount by which that salary exceeds Rs. 20 a month, whichever is less. In this respect the Commission has not noticed the amendment of the Code of Civil Procedure made in 1923 under which the Rs. 20 was increased to Rs. 40 which makes a very substantial difference. In regard to Mr. Pearce's point I note that the Commission's proposal is certainly not intended to apply to clerks in Government offices. The Commission indeed suggests that its proposal may be applied to workmen as defined in the Workmen's Compensation Act. I certainly do not agree with the Royal Commission that persons whose salary is in the neighbourhood of Rs. 300 a month require any protection on the lines which they suggest. The proposal may be due to a misunderstanding of the law as indicated above, and I do not think it need be proceeded with.

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COMMISSIONER, IRRAWADDY DIVISION.

I have the honour to say that I have consulted the Deputy Commissioners in this division. The Deputy Commissioner, Bassein, reports that he can offer no useful opinion on the subject while the Deputy Commissioners, Henzada and Pyapon, report that they agree with the suggestions.

Personally, I doubt if the proposed change in the law is necessary in Burma. I have, however, very little right to express an opinion.

In drafting the proposed legislation care should, I think, be taken to safeguard the interests of Government. It is a practice for headmen to collect Thathameda and Capitation Tax from labourers by attending the disbursement of pay, collecting the amounts and giving the tax receipts on the spot. It is or was the practice of some firms to collect these taxes for Government. These convenient practices should not be made illegal.

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COMMISSIONER, MANDALAY DIVISION, MANDALAY.

The evils against which the suggested legislation is directed hardly exist in Burma, and the necessity for the Act would depend on frequency of the offence.

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COMMISSIONER, MAGWE DIVISION.

I have the honour to say that the Deputy Commissioners, Thayetmyo and Magwe, and the Warden of the Oilfields are in favour of legislation on the lines proposed. The Deputy Commissioner, Minbu, expresses no

opinion on the matter while the Deputy Commissioner, Pakokku, a copy of whose letter is attached, thinks that the legislation is likely to be ineffective. There is a good deal of force in the Deputy Commissioner, Pakokku's arguments. It is already in the power of management to prevent unauthorized persons entering their establishments. Should they connive at their so doing legislation will not be effective. The practice of money-lenders waiting outside the factory gates to secure payments is going to be extremely difficult to prevent. Intimidation can be just as effective a hundred yards or a mile from the factory gates as actually at those gates. In view, however, of the strongly expressed opinions of the oil companies, who have experience of the evils referred to, I think that the experiment should be tried. It may have some slight effect in the direction aimed at by the Royal Commission, *viz.*, the diminution of the credit of the working classes.

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DEPUTY COMMISSIONER, PAKOKKU.

I have the honour to say that even though besetting an industrial establishment is made a cognizable offence I do not think it will have much effect on the practice of recovering private debts as a first charge on industrial wages. The working of the legislation, if there is one, will be hard and expensive. Firstly there will have to be a strong police force in or around an industrial establishment so that any offender may be arrested on spot and subsequently tried with success. If the police force is not strong enough they themselves will be overpowered by the so-called itinerant money-lenders.

Besetting is also hard to be defined, the definition recommended by the Royal Commission on Labour appears to contain many loopholes and decisions will depend on the interpretation of the definition. Many of these money-lenders must, I think, transact business with people of certain quarters and there will be nothing to prevent them from besetting the workers either at the entrance of their homes or some other convenient spot which will not come under the definition of besetting recommended by the Royal Commission on labour or any other definition that may finally be adopted. Lending money in any method the true interest on which works out to more than a certain per cent. says 5 should be made criminal and nothing short of such a legislation will have the desired effect, *i.e.*, reducing the indebtedness of the workers.

In my opinion the Usurious Loans Act of 1918 did not meet with success as it was intended because no maximum rate has been laid down. I recognise the disadvantages of laying down one single maximum rate in the Act itself as the rate charged varies from place to place but I think there should be a clause under which Local Government can fix maximum rates for specified areas which may be raised or reduced from time to time.

If legislation is made to prevent besetting an industrial establishment it should be so made that it is capable of extension to places by notification. It is of no use extending legislation of this nature except to places where it is necessary.

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WARDEN, BURMA OIL FIELDS, YENANGYAUNG.

I have the honour to state that I have consulted the Managers of the local factories and their replies are given below :—

*The Burmah Oil Coy., Ltd., remarks as follows :—*

“We may say at once that any legislation directed against this practice would receive our wholehearted support. We have never under any circumstances permitted money lenders to collect their debts before our workmen can draw their wages, although we periodically receive requests to do so. Our experience on this Field has been that money lenders invade all

our establishments on pay days with the avowed intention of extortion and although on sundry occasions police aid has been enlisted to deal with this nuisance, as the Law stands at present they are powerless to assist unless the money lender creates an obstruction. Moreover there have been instances where orders given to such persons to remove themselves from the precincts of the Godown by European employees have been met with defiance."

*The British Burmah Petroleum Coy., Ltd., reply as follows:—*

"We do not allow any outsiders in our Workshops or Pump Stations, so in practice money lenders never penetrate into any place where the men are working. We would, however, inform you that it is the practice for money lenders and the trades people to congregate around the pay office on pay day where they endeavour to secure their money from the coolies as soon as the latter receives it from the pay office. If the Government could see their way to take steps to prevent this evil we feel it would be a very great improvement in the present state of affairs."

*The Indo-Burma Petroleum Coy., Ltd., write as follows:—*

"The recommendations of the Royal Commission on Labour in India to make "besetting" an industrial establishment a cognisable offence have our support.

We do not allow money lenders to collect their debts before our employees can draw their wages, but they become very much in evidence in the neighbourhood of the pay out office on pay days, which we would like to be in a position to stop as they not infrequently create disturbances."

From these replies it will be seen that the consensus of opinion, with which I am in agreement, is that besetting an industrial establishment for the purpose of collecting debts should be made a criminal and cognizable offence and that the proposal of the Royal Commission on Labour in India should be carried into effect.

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COMMISSIONER, ARAKAN DIVISION.

I have the honour to report that the Deputy Commissioner, Akyab, is in favour of the Labour Commission's recommendation that besetting an industrial establishment for the purpose of collecting debts should be made a criminal and cognizable offence. The Deputy Commissioner, Sandoway, considers that the proposed legislation is open to strong objection. He cannot see why it should be made a penal offence to collect debts legally due, whereas if the object in view is to deter money lenders from lending money to industrial labourers by deliberately rendering the recovery of such loans difficult, he considers that the object would more suitably and equitably be attained by legislation making it a criminal offence for any one to attempt to obtain a loan when it was improbable that he would be able to repay the principal and interest within a reasonable time.

2. My own view is that of the two recommendations of the Labour Commission, the proposal to prohibit money lenders from entering a factory and collecting their dues by deduction from the pay before it is received by the workmen is sound and should be supported, but I am considerably more doubtful regarding the penalising of the habit of besetting factory premises. The evidence that there is any serious threat of force in demanding repayment of dues out of wages just received is not very convincing; and as long as the workman is free to refuse payment, I cannot see why his creditor should be penalised for asking for that payment at the most suitable opportunity for obtaining it, namely when the workman has money to

pay with. If the creditor proceeds further and uses intimidation, he commits a criminal offence under the law as it stands, and by doing so *ex hypothesi* in the presence of a large number of workmen, he renders it easy for the workman undergoing such intimidation to produce evidence that it has been committed. It is true that an offence under section 508 of the Indian Penal Code is not cognizable, but I think a stronger case will have to be made out of both the frequency of intimidation of industrial workers and of the impracticability of inducing them to lodge complaints against money lenders guilty of that offence before Government will be justified in tightening up the criminal law.

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COMMISSIONER OF THE SAGAING DIVISION.

I understand that the Government of India desired to obtain the views of Local Governments only on possible methods of dealing with the practice of besetting an industrial establishment for the purpose of collecting debts. The replies of some of the Deputy Commissioners of this Division, who were consulted, go further than this. So far as I am aware the evil mentioned in the Report of the Royal Commission on Labour is not one which is widely prevalent in this province, and it is not easy, therefore, to suggest measures to combat it, owing to the want of practical experience. I agree that it is desirable to put every obstacle in the way of the practice referred to, and some success might be achieved through the method suggested by the Royal Commission. It is, however, questionable whether this method, if adopted, would serve more than as a palliative of the evil against which it is directed. If a money lender is not allowed to loiter round the factory, he will presumably go a little further away and employ his methods of intimidation on the working man when he is out of sight of the factory precincts. It is difficult to know how to deal with creatures of this class, unless they are deported on proof that they make unconscionable terms with their unfortunate clients. The true remedy lies in the better education of the labouring classes with a view to their appreciation of the fact that a man must live within his means. The difficulty in this, however, lies to a great extent in the fact that no labouring man is able to live within his means so long as caste customs enjoin upon him the necessity of incurring crippling expenditure on certain social observances.

I am in favour of the adoption of the suggestion made by the Royal Commission on Labour, but I doubt whether the results of its adoption will be as beneficial as the Commission anticipates.

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DIRECTOR OF STATISTICS AND LABOUR COMMISSIONER, BURMA, TO THE SECRETARY TO THE GOVERNMENT OF BURMA, JUDICIAL DEPARTMENT.

The Chief Inspector of Factories has been consulted and has expressed his approval of the proposal.

2. I am unable to approve the proposal. It appears to me that every plan which makes the collection of debts more difficult ought to be opposed; the policy to be adopted is that of making collection easy so that on the one hand borrowers will learn to think twice before borrowing and on the other hand the rate of interest will tend to fall so that borrowers with genuine need for loans will find it easier to repay them. Restriction in the collection of debts is a matter entirely independent of the regulation of their rate of interest, and is in fact obstructive to all plans for reducing the charges for interest. The Burma Provincial Banking Enquiry Committee made in paragraphs 717 to 727 of its report a number of suggestions to reduce the delays in recovering loans; all these aimed ultimately at reducing the market rate of interest, the high level of which, that committee thought, constituted the essential problem of the finance of agriculture industry and trade in Burma (paragraph 782 of its report).

3. I have had the advantage of examining the views expressed by others who have been consulted by the Government of Burma on this matter, I have found nothing that makes me waver with respect to the view I have expressed. Nearly all who have expressed themselves as in favour of the proposal have really stated only that they wish to see workmen less afflicted with indebtedness; they have not given considered opinions with supporting reasons in favour of the particular project. One important group of employers, namely the large oil-winning companies, favour the proposal because it will reduce the congestion of people around the pay-office; but in fact they can exclude the money-lenders as trespassers if they wish. It is true that they will then only push the money-lenders a little further off; but that is all the proposed legislation can achieve.

4. Amongst the opinions in favour of the proposal I invite attention to that of the Burma Indian Chamber of Commerce which has asked that the prohibition should not extend to persons collecting payment for goods supplied on credit; clearly such an exemption must make the prohibition entirely inoperative. Apart from fraudulent devices making other loans appear to be payments due for food supplied, there would be genuine practices of supplying necessities so as to let the borrower have all his wages available for the object of his loan. He would get two or three fellow-workers to join with him to take in this way a loan equal to the sum of their wages and he would get this amount less the commission he would pay them.

5. The proposal would offer a fertile field for policemen to reap. It is inevitable that whenever a creditor exposed himself to arrest under the Act, either he would pay the policemen part of what he collected or the debtor would pay for his delivery from his creditor. In either case the cost of borrowing would be increased and the impoverishment of the workers, which the proposal is intended to cure, would be exacerbated.

6. The proposal has no application to the casual workers for whom the problem is so important.

7. The proposal overlooks the difference between professional money-lenders and casual lenders. A professional lender cannot meet a large number of borrowers elsewhere than at the pay-office where he finds them altogether; if he goes to each house in turn he will need more than a month to go his rounds, since people will generally be not at home when he comes.

8. The professional lender, collecting far from the factory will inevitably take up the methods of the peripatetic Pathan lenders. They will go in twos or threes armed with sticks to collect their debts. Besetting at the pay-desk is a smaller evil.

9. As the Burma Chamber of Commerce has pointed out the proposal would be ineffective against co-workers. In fact it would increase their charges because it would remove competition by other lenders.

10. It seems not to be realised that in England a workman lending a shilling to another workman until next pay-day, commonly charges one penny interest; the longest period of the loan is this five days and the interest in such a case is over 600 per cent. per annum, while if the period is only one day the rate is over 3,000 per cent. The fact is of course that such statements of the rate of interest are really meaningless; most of the charge is payment for trouble and not interest at all. Similarly, in the case of professional lenders, the apparent capacity is merely an honest endeavour to earn a living with small capital and much labour.

11. The real trouble is even more fundamental than the education of the worker. It is his low productivity in the present industrial organisation. India is asking for all the administrative developments of the west, but is trying to support them without the necessary productivity. The real evil is the failure of the average worker to produce enough to enable him to demand enough pay to support a decent life. The only lasting cure is an increase of productive power by reforms in industrial organisation and a parallel education of the workers to enable them to work in the reformed conditions. Borrowing will not stop then, but it will be reduced

to a relatively small matter of a different character. Given reasonable productive power the workers could form successful co-operative credit societies to grant loans for emergencies; when loans are proper they could form trade unions which would assist in organising such societies and would watch their interests if they borrow elsewhere. Plans for tinkering with the matter without an increase in productive power will only produce new evils.

12. In case the proposal is adopted there are two cautions to be borne in mind. The legislation should not prevent Government from collecting taxes either (a) at the pay-desk or (b) by deduction in the pay roll and payment by the employer; and the vague word "near" in the definition of "besetting" should be replaced by something more precise—say, "within one hundred yards of".

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(13)

GOVERNMENT OF THE CENTRAL PROVINCES.

I am to observe that the causes of industrial indebtedness as analysed by the Commission are exactly the same as those of agricultural indebtedness *viz.*, the custom of spending for the sake of 'izzat' roughly a year's income on any major social ceremony and the fecklessness which gets the money on any terms it can regardless of the future reckoning. The remedy proposed by the Commission is to make it more difficult for the money-lender to recover his debts thereby restricting credit.

2. The local Government thinks that there are both theoretical and practical objections to the proposal. In the first place there is no crime in collecting debts, nor anything shocking as the Commission seems to think, in a creditor trying to get his money on wage day. The criminal law is amply strong enough to deal with him if he uses methods of illegal intimidation. The local Government finds great difficulty in seeing why a new crime should be manufactured for the coercion of a man who is doing no legal or moral wrong, but is merely trying to collect his dues.

3. In the second place, so far as the local Government can see, the proposal will effect practically nothing as the besetting activities may be shifted from the precincts of the factory premises to the dwelling houses of the labourers. The creditor will also put up his rate of interest, and as it is not to be supposed that a man who is willing to borrow at 1 anna per rupee per mensem will shrink from borrowing at  $1\frac{1}{4}$  anna, the result will merely be to increase the volume of indebtedness.

4. In the opinion of the local Government the solution of the problem—if there is a solution—lies in educating the operative into habits of thrift and in the formation of co-operative societies and not in manufacturing a new crime. If, however, the Government of India, with their wider experience consider that the experiment should be made, this Government sees no objection to it.

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(14)

GOVERNMENT OF BENGAL.

I am directed to say that the local Government consulted all the local commercial associations, the Agents of the leading railways, the Calcutta Port Commissioners and registered trade unions on the subject raised therein. Departments of the local Government interested in the subject were also asked for their views and I am to say that, without a single dissentient, all those who have replied to the local Government's reference have wholeheartedly supported the proposal of the Royal Commission. It is not considered necessary to forward all the replies which have been received, as their tenor is the same, but those of the (1) Bengal Chamber of Commerce,

(2) the Bengal National Chamber of Commerce, (3) the Calcutta Port Trust Employees' Association and (4) the Eastern Bengal Railway Workers' Union are enclosed for the information of the Government of India.

2. That besetting an industrial establishment for the purpose of collecting debts should be made a criminal and cognizable offence is part of a series of proposals made by the Whitley Commission with a view to protecting industrial workers, the majority of whom are borrowers, from the evils of indebtedness and usury. The wider aspects of indebtedness will, it is assumed, be taken up in due course by the Government of India, but the local Government agree with them in supporting the view that steps should be taken separately to deal with money-lenders who, in the words of the Report, "prey upon workers and depend upon the threat of violence rather than the processes of the law". To make the besetting of industrial establishments a criminal offence will, it is anticipated, be of assistance in stamping out this type of nuisance. Besetting, the Commission propose, should be defined as loitering within the precincts or near or within sight of any gate or outlet of an establishment. It is doubtful if this definition is sufficiently wide, especially in congested areas, where transport for labour has to be provided by boats or workmen's trains. Railway stations, landing stages, and similar transport depots might also be included in the definition, but it is recognised that the wider the definition is, the chance of effective enforcement may probably be less.

3. The lathi-wallah lender is unfortunately not the only type of money-lender who endeavours to ensure that his claims form a first charge on wages. It is common practice for clerks, sirdars, darwans and other employees to lend money to workers in the same establishment, and it is probable that in many cases the interest charged by them is as usurious as that demanded by outsiders. In such cases the deduction of dues from pay is easier, because refusal to pay may be followed by dismissal. The local Government, however, make no recommendation in regard to this class of money-lender because information on the extent of internal usury is exiguous, and, secondly, because the effect of any remedial measure might be to create even worse evils. In the case of sirdars, for example, advances are regularly given to relations or co-villagers to enable them to come to and start work in mill areas. These financial transactions, often incurred before workers leave their villages, are arranged privately, and it is difficult to conceive of any type of legislation which could affect or regulate them, just as it would be impossible by legislative enactment to affect the age-long custom of sirdars receiving percentages of wages for certain types of services rendered. An attempt may be made to protect the worker against realisation by the use of the lathi, but legislation aimed at stopping usurious lending within a mill premises by persons in the employment of the factory would, in all probability, be useless. Detection would be almost impossible, as workers would hesitate to lay complaints owing to the fear of dismissal. In this connection reference is invited to the letter of the Bengal Chamber of Commerce, in which mention is made of colliery sirdars. The Chamber emphasise the difference between money-lender of the sirdar type and professional money-lenders, and the local Government are of the opinion that legislation should be aimed solely at the professional type.

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#### BENGAL CHAMBER.

I am directed to say that the committee of the Chamber have considered the subject in consultation with the principal industrial associations, to which it is naturally of close interest. They find that there is general agreement with the proposals, and they themselves support, and recommend that legislation should be undertaken to give effect to these. They desire, however, to invite attention to two points which have been brought forward. The first of these—which has been raised by the Indian Mining Association but which may possibly affect other branches of industry also—is that it is a

common practice for a colliery sirdar to collect the pay due to a gang of miners and before paying a particular individual, to deduct the amount of any advance made to him. Although the sirdar may in such a case have lent money, he is in fact no more a money-lender than, say, an establishment which occasionally advances money to its employees to be recovered by deduction at the end of the month: the sirdar may charge interest whereas, the employer does not, but he is not a professional money-lender, and his advances are not made with the primary object of obtaining a profit on the loans. The second point is that, in the event of the proposals being made effective by legislation, it is desirable to arrange that any arrests which may have to be made within the precincts of a factory should be carried out with the co-operation of the factory manager so as to avoid, as far as possible, any risk of upsetting the labour.

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#### BENGAL NATIONAL CHAMBER OF COMMERCE.

The Committee of the Chamber endorse the suggestions made by the Banking Enquiry Committees as well as the Royal Commission on Labour that the itinerant money-lenders like Pathans, who use extra-legal steps for the recovery of loans, should be severely dealt with and that their activities should be restricted by penal measures. As a rule their clientele are extremely improvident and these exacting money-lenders take the advantage either of the poverty or of the addiction to liquors and other intoxicants of their victims to feed them with ruinous loans, often at an incredibly high rate of interest. The life of the borrowers consisting mostly of the wage earning class and also the poor ryots becomes then a veritable curse as they live thereafter only to see the rewards of their labour being regularly pounced upon by the money-lenders who make their appearance just when the helpless borrowers are about to be paid for their labour. The transactions of the said money-lenders have thus proved to be a menace to a large section of the community, consisting of those who are least competent to protect themselves, and it is only proper that the latter should be protected as much on humanitarian grounds as on that of maintaining the efficiency of both industrial and agricultural labour by ensuing that they are able to keep at least what may be necessary to meet the bare necessities of life. Both the Bengal Banking Enquiry Committee and the Labour Commission have pointed out that the money-lenders of the above description manipulate their transactions in such a way that the provision of the existing laws cannot give the desired relief to their victims. The proposal therefore to lay down some special penal measures, like the one under reference, is fully approved by the Committee of the Chamber.

2. The Committee have duly taken account of the chance that the proposed restriction may lead to a curtailment of the credit hitherto available to the borrowers, who are intended to be saved. But they are inclined to believe that though a certain degree of curtailment may follow as a matter of course, a general shrinkage need not be apprehended, unless of course the lenders are determined to abandon their business altogether under the compulsion to continue the same by more equitable methods. In any case, if the ideal be to induce the borrowers to set up Co-operative Credit Societies of their own, the eventuality of the exacting itinerant money-lenders being supplanted need not be regarded as a deterrent factor.

3. The Committee have however, noted that the proposal under reference suggests the adoption of special penal measure only with reference to industrial labour. The restriction in this regard is, in the opinion of the Committee, quite unwarranted. For the difficulties and privations which the proposal seems to remove are borne with equal hardship by borrowers belonging to such other considerable groups of wage-earners as are in the employ of civic institutions like municipalities, etc. The circumstances demand that the scope of the legislation should be so enlarged as to extend the protection to the latter kind of wage-earners as well.

CALCUTTA PORT TRUST EMPLOYEES' ASSOCIATION.

I have the honour to say that my council have given their careful consideration to the proposal and are quite in accord with the measures proposed to be adopted in stamping out the practice of recovering private debts in the manner indicated therein.

I am, however to add that so far as the Port Commissioners' workshops, where such debts are generally recovered, such as ferry stations, railway stations, train terminus, bus terminus, Princeps Ghat, etc., my council desire that steps should be taken to prevent money-lenders from taking threatening measures at these points, if no action can be taken under the ordinary laws of the land.

It has also come to the knowledge of my council that in big establishments, such as the Port Commissioners' head office, Messrs. Mackinnon Mackenzie and Co.'s office, etc., the head durwans or other office assistants serve as money-lenders and put undue pressure on the borrowers to pay off before they can get out of the office.

My council, therefore, request that the Government be empowered to bring pressure upon those establishments to get rid of such elements or to take other suitable measures to put an end to these practices as early as possible.

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EASTERN BENGAL RAILWAY WORKERS' UNION.

I am directed to inform you that in the opinion of our union the besetting an industrial establishment should be made a criminal and cognizable offence and that the recommendations of the Royal Commission should be given effect to in the form of a legislation by the Government at once.

However, I am also to state in this connection that the particular sort of money-lenders mentioned by the Royal Commission are not the only persons who try to ensure that their claims form the first charges on the wages of workers. For example, there are credit societies in certain industrial establishments who collect the money lent out to the workers by deducting the amount with interest from the pay of the workers and the reduced pay only is paid to the workers on pay days by the companies. Is it not even a worse practice than that of besetting an establishment and as such, should not the proposed legislations be futile if this is allowed to continue?

It is hoped that this will also be taken into consideration when the above recommendations are given effect to.

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(15)

GOVERNMENT OF BOMBAY.

I am directed to forward herewith for the information of the Government of India the views expressed by the officers and other persons consulted and to convey the following observations.

2. The letter under reference was widely circulated to Government officers, public bodies and associations representing the interests of employers and of labour and the proposal met with the approval either absolute or qualified of the great majority of the persons consulted. This approval, however, extended usually only to the principle underlying the proposal. As regards the exact form which legislative action should take there was far less agreement and doubts were expressed as to whether the proposal would fulfil the object in view or be administratively practicable.

3. In considering the proposal under reference, the Governor in Council considers it desirable to examine the proposals of the Royal Commission on Indian Labour as a whole because the question of initiating legislation to deal with the besetting of an industrial establishment by money lenders is only one of several relating to the economic situation of the workers that were considered by the Commission. I am to draw your attention to the following extracts from the Commission's Report :

"After weighing carefully the considerations on both sides, we are definitely of the opinion that it is in the worker's interest to reduce his attractiveness as a field of investment. In other words efforts must be concentrated on diminishing his power of obtaining credit . . . . Our proposals, then, are mainly directed towards making it unprofitable for the money lender to advance the workers amounts which are beyond their power to repay." (Page 231).

"Credit, in the sense of borrowing capacity, is not the worker's need; it would be nearer the truth to describe it as his curse . . . . The fatal weakness in the present system is the comparative ease with which the worker can borrow sums which he has little prospect of being able to repay." (Page 229).

"But the single large loan which plays an important part in binding permanent fetters on the worker is usually required in connection with a marriage." (Page 227).

4. The above extracts show that the Labour Commission desired (1) to diminish the worker's ability to obtain credit and (2) to make borrowing less easy for him. They also emphasise that the largest part of the burden of the worker's indebtedness is due to the single loan which he takes upon marriage. The proposal under reference does not deal with these matters at all. What it does purport to deal with are (a) the system whereby money lenders are permitted by some employers to enter the factory and to collect their dues before the workman receives his pay and (b) the practice of the money lender waiting outside the factory gate. The objection to both practices is that they tend to make the payment of interest and the repayment of debts the first charge on wages.

5. In this connection I am to point out that the first practice is the one which the Commission regards as particularly deplorable namely the deduction of debts at the pay-desk but in the opinion of the Governor in Council it is doubtful whether the proposal of the Royal Commission with regard to besetting makes it possible to deal with this practice. The Royal Commission suggests that besetting might be refined as "loitering within the precincts or near or within sight of any gate or outlet of an industrial establishment." But this would not make it an offence for a money lender to be present, with the consent of the employer at the pay-desk when wages were being paid. That could not be defined as "loitering". The recommendation would certainly not cover the case of the employer who instructs the pay clerk to deduct money owing to the employers or to other persons, *e.g.*, jobbers or hawalawallas. It is only the second class that the proposal relating to besetting will legislate against namely the money lender who loiters in front of or near an industrial establishment and the class of money lender particularly aimed at is the Pathan.

6. The problem of the Pathan money lender is not a new one. It has been considered by the Bombay Banking Enquiry Committee, the Central Banking Enquiry Committee and the Riots Enquiry Committee. The Bombay Banking Enquiry Committee drew attention to the following points :—

- (1) industrial towns and backward tracts constitute the Pathan's sphere of operations;
- (2) the usual limits of the advances made by Pathans are from Rs. 5 to Rs. 50, and the most common rate of interest is two annas per rupee per month;

- (3) the Pathan seldom goes to a court of law and resorts to intimidation, force and other questionable means for the recovery of his dues; and
- (4) the Pathans deal with classes of people who have practically no credit and to whom even the village-money lender refuses to make advances.

On these facts the Committee suggested that district officers should watch the conduct of the Pathans, take the initiative in prosecuting them where they are found harassing the people, and where complaints of oppression are common and no proceedings can be taken against them under the ordinary law, Government should take action to deport these Pathans. This recommendation was endorsed by the Central Banking Committee.

7. I am to inform you that the Governor in Council has already taken action on this recommendation and in a circular dated April 30th, 1931, has instructed District Magistrate and the Commissioner of Police to pay particular attention to the operations of Pathan money lenders and, in cases of brutality or intimidation, to prosecute and press for the infliction of severe and deterrent sentences. Moreover, they should not hesitate to take action under Chapter VIII of the Criminal Procedure Code in suitable cases.

8. The Governor in Council considers it desirable before legislation is initiated to deal with one aspect of the indebtedness of the industrial worker to ascertain to whom the worker is ordinarily indebted and what are the steps usually taken by the worker's creditors to recover their debts. The Royal Commission has pointed out that the larger single loan taken by the worker is on the occasion of marriage. This is borne out by the investigations made by the Bombay Labour Office. A tabulation of schedules collected during the family budget enquiry in Bombay City now in progress shows that out of 492 families considered, 382 or 72.64 per cent. are in debt, that the average amount of debt per family is Rs. 179 and of this debt 36 per cent. is accounted for by marriages. The minimum cost of a marriage among the working classes is Rs. 100. Usually it is considerably more. A loan of this amount cannot be secured without some sort of security and the loan for this purpose is almost invariably obtained from the village sowkar.

9. Next in importance amongst the workers' creditors is the city grocer and bania. He allows the workers to make purchases on credit and when his arrears amount to a fairly large sum a promissory note is taken. The bania has two ways of realising his debt. He charges for the commodities he sells a higher rate to his debtor than to his ordinary customer and, secondly, he charges heavy interest on the amount for which a promissory note has been taken. The bania does not find it necessary to visit industrial establishments to recover his dues.

10. The third source from which the worker obtains money on loan are his employers, jobbers and muccadams, havalawallas, hotel-keepers, etc. In the case of these advances deductions are almost certainly made, probably at the pay-desk, every month or every *hapta* before the worker receives his wages.

11. The fourth class of money lender in cities is the Marwari; but he does not lend money without security, usually ornaments, and there is therefore no necessity for him to visit industrial establishments to recover the money he has lent.

12. Finally, there is the Pathan and he plays a comparatively small part, if a somewhat ostentatious one, in the economic life of the workers. The fear of the Pathan is deep-rooted in the minds of the ordinary villagers from whom Bombay's working class population is drawn. The Pathan is the last resort of any working man and those who patronise these money lenders are those who cannot obtain credit from the sources pointed out in the preceding paragraphs, that is to say, people who can get no credit from a bania or have no security to give to a Marwari or to the village

sowkar. Many of them are drunkards and gamblers. Quite apart from any other consideration, the Pathan money lender would be of no use to the ordinary worker either for his monthly supplies—because the Pathan is not a shopkeeper—or for his marriage—because the loans given by Pathans are usually small ranging from Rs. 5 to not more than Rs. 50.

13. This brief review of the credit facilities ordinarily available to industrial workers shows how small a part is played by the Pathan money lender. The three principal sources from which the worker obtains credit or money are the village sowkar, the bania and the Marwari none of whom would be affected by this legislation. The other important source, namely, the employer, jobbers, canteen keepers and havalawallas would also not be affected. The employer or the jobbers and other persons referred to above, by arrangement with the employer would continue to deduct the amounts due to them from the worker's wages before he is paid. It is the common practice followed by Government and the very best employers to deduct money due to them before paying wages. Moreover, it has been the experience in this Presidency that the custom of employers lending money to their workpeople has, in many cases, been of great benefit to the workers.

14. Any legislation, therefore, which could reasonably be adopted to deal with the problem of protecting the wages of the industrial worker on the lines laid down in your letter under reference would only deal with the Pathan money lender whose clientele is drawn from a very small and not very worthy section of the working class population.

15. The next question that arises is what would be the effect of such legislation? The Governor in Council having given the matter careful consideration and studied the opinions which have been expressed by persons qualified to express them has come to the conclusion that the effect would not be beneficial to the working classes as a whole. The Pathan does not usually seek the aid of the law courts to enforce a debt and he will not be deterred from exercising extra-legal methods by legislation of the kind proposed. Instead of loitering outside the factory gate he and his friends—for these Pathans work in gangs—will cover the streets leading to the homes of the workers. They may even—and this would be a worse evil—beset the homes of the workers, and it would be difficult to frame legislation which would prevent the Pathan money lender from seeking to recover his debt at the home of the worker and yet permit debts to be collected by ordinary creditors such as the rent collector or the representatives of co-operative societies. And in this connection I am to point out that the Bombay Provincial Co-operative Institute have asked that any legislation of the kind suggested should not apply to the officials of co-operative credit societies who are required to visit industrial establishments to recover monies due to the societies.

16. Another important matter for consideration is the possibility or otherwise of administering any legislation that might be passed. The Governor in Council is advised that the police would find great difficulty in enforcing the Act. There are in Bombay City, for example, several hundred industrial establishments and even if the Act were applied only to these establishments and not to railways and other establishments employing large numbers of workers to which logically it should also apply, it would mean that policemen would have to be posted outside each establishment on pay days which, in the opinion of the Commissioner of Police, would be impossible. The Inspector General of Police also apprehends a crop of false complaints on behalf of debtors which would materially increase the work of the police.

17. As has been pointed out above, the Pathan money lender is only resorted to by those workers who find it almost impossible to obtain credit elsewhere; and although in the opinion of the Governor in Council the Bill in question would not help the debtor, there would be the danger, to which organisations representing the workers' interests have drawn attention, of the workers' credit to other lenders being adversely affected. While it is true that the Royal Commission on Labour desired to lessen the attraction of the worker to money lenders, the Governor in Council is of the

opinion that it would be unwise to do this indirectly by passing legislation of the kind under reference without examining the whole question of the indebtedness of the working classes and providing some machinery whereby credit could be obtained on less onerous terms than at present. Basically, the problem of indebtedness amongst the industrial workers is the same as that of the villagers, because so far as Bombay City is concerned, the industrial worker is drawn from the villages, maintains close touch with the village and returns to it whenever his circumstances permit. It has already been shown that the principal debt incurred by the millhand is incurred for his marriage and for this his credit is in the village and not in the city.

18. I am to say that the Governor in Council does not consider it necessary to discuss in this reference the question of the indebtedness of the working class population in India. Numerous committees and commissions have investigated the question and proposed remedies and in the opinion of the Governor in Council these recommendations should be the basis of any attempt to deal with the problem. No results will be achieved by piecemeal legislation such as that proposed in your letter under reference.

19. In conclusion I am to say that the Governor in Council is unable to agree to the proposed legislation for the following reasons:—

- (a) It deals with only one aspect, and that a comparatively trifling one, of the problem of the indebtedness of the worker.
- (b) It will not remedy the evil it is designed to eradicate, namely, the use of extra-legal methods by Pathan money-lenders to recover their dues.
- (c) It would benefit, if at all, only a small section of the working classes.
- (d) If the legislation were effective it would take away from this section its only source of credit.
- (e) It would not directly benefit the mass of the workers but indirectly it might lead to restricting their credit with lenders against whom the legislation is not directed and lead to an increase in rates of interest.
- (f) If this were the effect created then the result would be to increase the clientele of the Pathan money lender who gives credit to those who cannot obtain it elsewhere.
- (g) The law would be difficult to administer and would impose upon the police a burden entirely incommensurate with any results likely to be obtained.
- (h) The more objectionable features of the operations of the Pathan money lender are already being dealt with by administrative order.

20. I am therefore to inform you that the Governor in Council is unable to agree to any legislation on the lines suggested.

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COMMISSIONER OF POLICE, BOMBAY.

I have the honour to state that in my opinion the proposal merely touches the fringe of the problem and that if legislation on these lines were undertaken it would be found that the law would be a dead letter first because the police forces cannot spare the men necessary to enforce it and second because there would always be difficulty about proof of "besetting". There is certainly a great amount of usury in the City of Bombay and continual tyrannical exaction of payment without recourse to the law courts and if Government desires to deal with the problem, the proper course in my opinion is to adopt the suggestions made by the Bengal and the Bombay Banking Enquiry Committees and make habitual usury a criminal offence and make the usurer liable to deportation.

## GOVERNMENT OF BOMBAY, PUBLIC WORKS DEPARTMENT.

The undersigned is directed to state that this Department fully supports the recommendation made by the Royal Commission on Labour in the matter.

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 DIRECTOR OF INDUSTRIES, BOMBAY.

I have the honour to state that I am in entire agreement with the recommendation of the Royal Commission on Labour that besetting an industrial establishment for the purpose of collecting debts should be made a criminal and cognizable offence.

I would suggest that effect should be given to this recommendation at an early a date as practicable.

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 INSPECTOR-GENERAL OF POLICE, BOMBAY PRESIDENCY.

I have the honour to state that I have consulted District Superintendents of Police, Ahmedabad and Sholapur, who have in their jurisdictions a large number of mills. They are both opposed to the proposal and I agree with them. The following extract from the letter of the District Superintendent of Police, Ahmedabad, furnishes grounds on which the opposition to the proposal is based :—

“It is very doubtful, however, whether the proposed legislation will, by itself, eradicate this evil. It will throw an extra burden on the Police, who are already overworked, and will certainly lead to a crop of false or doubtful complaints. Those who have borrowed money from Pathans, etc., are bound to come forward with doubtful complaints of this nature in order to avoid paying debts which they have incurred.”

2. The proposal in question aims at providing protection to the borrowing public from a section of money lenders which resorts to extra-legal methods. This proposal has been considered more than once before, and the preponderating view has been that the real remedy lies not in legislation of very doubtful value but in developing a sound system of industrial banking to finance the poorer classes and in the popularising of well organised co-operative societies. I enclose for your information a copy of Sir Francis Griffith's letter, dated the 16th June 1928 (printed below).

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 LETTER FROM THE INSPECTOR GENERAL OF POLICE, BOMBAY, PRESIDENCY,  
 DATED 16TH JUNE 1928.

In reply to your letter, dated the 13th March 1928, in which you ask for my views as to the extent of the evils arising from the exploitation of the ignorant working classes and agriculturists by money lenders, and as to the necessity for legislation and the adequacy and propriety of certain measure, I have the honour to inform you that I have consulted a number of police officers and have come to the following conclusions.

2. The evil complained of is very widespread and has very far-reaching effects on the economic and social life of the people of this presidency. I would stress the fact that social and religious obligations force the peasantry to live above their means, and that, this being so, no artificial measures on the lines of the legislation suggested can be expected to effect the desired remedy. Any attempt to counteract social and economic forces by legislative

measures is bound to end in failure, and is certain to involve Government in various unforeseen complications and difficulties. In my opinion, the remedy for this economic problem must be sought on economic lines. The only way to eliminate the sowcar and the Pathan money lender is to develop a system of banking to finance the agriculturists and the small traders. If it is possible to develop a banking system under which the operations of these classes can be financed on the basis of good security and a reasonably low rate of interest, the sowcar and the Pathan money lender will find that these classes are in no need of their services. If it should prove impossible, it is vain to hope that they will ever be eliminated by any legislative measures. No such measures can ever lower their rates of interest which are based on an essentially unsound system of credit operating on a community whose social organization is such as to encourage their rapacity. There is good reason to fear that such measures are likely to accentuate rather than remedy the evils against which they are directed.

3. With regard to such of the poorer classes in large towns as have no security to offer, it is obvious that no sound financial system can be devised. The only solution of that problem on economic lines is the total denial of credit. If the Pathan is prepared to give such persons credit, while relying on violence to compel payment, the law can only step in on complaint of violence being made; but the difficulty is that such complaints are not made. If legislation were introduced to prohibit the lending of money without security (and I doubt whether anything short of this drastic measure would have any effect), it would be difficult to avoid interference with the genuine financing of trade.

4. I presume that of the measures proposed in paragraph 4 of your letter (not received), the second, namely, to make money lending, except by licensed money lenders, an offence, is intended to create a non-cognizable offence. Whether it is to be cognizable or non-cognizable, I foresee great difficulties in providing for the exemption of all legitimate commercial transactions and private loans. If it is intended that the offence should be cognizable, I would urge that, from the point of view of Police administration, there are serious objections to this course. It is likely to involve the police in many difficult problems and to increase considerably the facilities for corrupt practices.

5. The same objections do not apply to the fourth proposal which is to make the use of force or threat to use force in the collection of debts a cognizable offence. The efficacy of this measure would entirely depend on the readiness of the victims to come forward and make a complaint. Unless force had been actually used, there would, I think be considerable difficulty in securing a conviction, and, in practice, the Pathan does not always use force. He very often succeeds merely as the result of the fear of force in the mind of the borrower. I am, therefore, very doubtful whether the practical results of this fourth proposal would be appreciable, but I do not think that there is any objection to this particular measure being tried—except the probability of its proving somewhat ineffective. As I have explained above I am of opinion that there are serious objections to the principles underlying the other proposals.

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COMMISSIONER, NORTHERN DIVISION.

I have the honour to state that I agree with the recommendation of the Royal Commission on Labour and would further suggest that employers should be prevented by legislation from permitting money lenders to collect their dues before wages reach the workers' hands. Five out of the six Collectors in this Division, who were consulted in the matter, are in favour of the Commission's recommendation. The Collector of Surat, a copy of whose report is attached hereto, is against the proposal. I do not consider the arguments advanced by him as convincing.

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## COLLECTOR OF SURAT.

I have the honour to state that I do not support the proposal as the action on the lines proposed would be tantamount to encouraging repudiation of debts.

It would be difficult to distinguish between a "besetting" creditor and an ordinary one who naturally comes to recover his dues when money is in hand.

I also venture to think that any hindrances placed in the recovery of debts would only tend to raise the level of interest at which money is lent in such cases.

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 COLLECTOR OF THANA.

I have the honour to state that I am in favour of the proposal that besetting an industrial establishment for the purpose of collecting debts should be made a cognisable offence. I would go further and suggest that besetting municipal and other establishments which employ large numbers of low-paid inferior servants, for the purpose of collecting debts should also be made a cognisable offence. The other and more common practice mentioned in paragraph 2 of the Government of India's letter prevails in this district and extends to the recovery of debts of railway and municipal employees at Kalyan and two or three other places. The money-lenders in these cases are usually Pathans of whom the debtors are terribly frightened. It would therefore be desirable to check their nefarious practices in regard to recovery of debts from such employees also.

I think it would be difficult to define exactly the area within which the practice of money-lenders to recover debts from industrial workers would be a criminal offence. For if the area were restricted to a small distance outside the boundaries of the industrial establishments, it would still be possible for money-lenders to recover their debts before the debtors have deposited their wages in a safe place or spent them for purchase of necessary articles. It is also likely that money-lenders may discover new methods of collecting their debts soon after payment of wages to their debtors, without coming within the four corners of the proposed law. However I believe that such legislation would make the continuance of the present practice difficult and enable industrial workers to some extent to utilise their wages more profitably than at present.

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 COMMISSIONER, SOUTHERN DIVISION.

I have the honour to state that the majority opinion amongst the Collectors is that the proposal will effect a certain amount of good and should be adopted, but that at best it will only be a partial palliative. It will not prevent the money-lender besetting the home of the worker; but that takes place at present if the dues are not paid at the factory gate. It may curtail the lending of the money-lenders and so far would be an advantage. On the other hand it will lower the credit of the worker and so may lead to an increase in rate of interest.

2. The proposed remedy does not get at the root of the evil. I am in favour of it on the ground that I think the workmen ought to be protected as far as possible from the intimidation which at present occurs and that on the whole the proposal will be for his good. Some of the Collectors point out that co-operative credit societies might effect a more radical cure; and one suggests the licensing of money-lenders. These devices should not of course be neglected if thought useful; but it will take time for them to have effect, whereas that under discussion will be effective at once.

## COMMISSIONER IN SIND.

The Commissioner in Sind has the honour to state that the proposal to make the "besetting" of the industrial establishment a criminal and cognizable offence appears to be a suitable method for stamping out the two practices resorted to by money-lenders for the recovery of debts from industrial workers. He accordingly supports the proposed legislation by the Government of India.

## CHIEF INSPECTOR OF FACTORIES, BOMBAY.

I have the honour to state that a certain amount of attention in the past to the problems of indebtedness and advances to factory hands has been given.

2. Some years ago in Ahmedabad it was found that an agent had, for years allowed advances to be made by an outsider at exorbitant rates, and permitted recoveries at the pay desk. It was alleged that the transaction was based on an immoral consideration. The chief actors are now dead, but I had grounds to believe that the allegation was correct.

Another agent permitted a representative of a temple to do the financing. Recoveries were made in the same way and the rate of interest charged was exorbitant. He promised in 1920 to reduce the rate of interest but a short while after the issue of the Royal Commission Report it was found that an exorbitant rate was still being charged. A number of Ahmedabad mills used to advance at fairly heavy rates, but, in the last decade, the rate of interest seems to have decreased.

There has however been a large increase in so styled hotels in the compounds of the Ahmedabad mills and some proprietors probably do advance moneys to the hands with an understanding that recoveries will be made at pay times.

A 'hotel-keeper' was found paying a rent of Rs. 200 per mensem for a small piece of ground on which a corrugated iron 'hotel' was built. He must either overcharge on commodities or else obtain a return on advances to the hands.

Some of these 'hotels' are not, I am afraid, run for the workers' benefit.

3. In Barsi, the money-lending Pathan had, in 1929 almost increased *pro rata* with the increase in industrial activity. I met the managers and advised the starting of co-operative credit societies. One agent also agreed to give the matter consideration. Nothing has yet been done.

I have reason to think that a mofussil mill agent in Khandesh is financing money-lending operations to his hands through a nominee in the bazaar. He can always make a recovery from their wages either directly or indirectly.

In the Bombay mills the 'havala' system is fairly common. Under this system an operative who desires to leave and who wants his wage before the recognised pay day may obtain it by a 'havala' chit. This enables him to obtain cash, either from the mill, his grain supplier, a friend, or a privileged 'havalawalla'.

The discount varies from nothing to 1 anna in the rupee and is frequently  $\frac{1}{4}$  or  $\frac{1}{2}$  an anna.

There is not much objection in this except that when the system of payment in the mills is considered, the discount rate in some cases is too high.

Probably most mills do not allow the 'havalawalla' to enter, but in a few he is allowed to lend money to the hands and to make recoveries at the pay desk. The rate of interest is often one anna in the rupee. I believe one 'havalawalla' is a relation of the agent and pays Rs. 100 per month rent in each of a couple of mills where he carries on his beneficent activities.

Some years ago a wealthy and influential factory owner was prosecuted in respect of an accident in which an employee had lost four fingers. He was successful in obtaining an acquittal in the High Court over a technical objection over the serving of an order. It was stated that he would pay a sum in compensation double the amount awarded in the Lower Court. Two years after, the man informed me he had not received anything. He was hopelessly in debt to his employer who had simply adjusted his books. (The sum in cash was finally paid in my presence.)

4. Considerations like the foregoing led me to propose to the Royal Commission on Labour what they considered a novel proposal, *viz.*, that the Factories Act should contain a provision that where advances are given the rate of interest charged should be reasonable.

It does not appear that merely legislating for the besetting of an industrial establishment will effect much unless some action is possible inside it, and I do not think the proposal will stop some factory agents from taking advantage either directly or indirectly of the necessities of their employees

5. Any privileged money-lender or 'hawalawalla' must be expected to push such a safe and lucrative business and must encourage the operatives to borrow at an extortionate rate.

I consider that advances inside factories have, on the whole, been of service to the employees but it is being abused by a few concerns and advances are also made by subordinates—time-keepers, jobbers, etc., in some concerns.

6. An extension of co-operative credit societies would help considerably. They have been established in several mills of the Sassoon and Currimbhoy Groups, and in a few mofussil concerns. Information has been given from time to time in the administrative reports and an article on co-operative credit and indebtedness was sent to the Millowners' Magazine some time ago. There are however few persons in the factories willing to undertake constructive work in this direction and under the conditions prevailing in a number of concerns Co-operative Credit Societies will only partly assist.

7. Factory hands frequently start getting into debt in the interval between finding employment and drawing their first wages 6 weeks or so after. Once in debt, it is difficult to get out. [The Annual Report for 1928 (page 22) gives figures of indebtedness in a Sholapur Mill.]

The question of weekly or fortnightly payment of wages has received consideration, and although there is a lot to be said on both sides of the argument, it seems unfair to keep any one waiting for 6 weeks for his first pay. If the factories would adopt a uniform system of advances to new hands in the first few months of employment it would help to some extent. With wages paid monthly, and with the delay in the first payment, there may even be a case for compulsion in the matter.

There appears to be a fair amount of 'besetting' at present, and although I am in favour of legislation to prevent it, it may be of doubtful advantage if it leads to an increase of money-lending activities inside the factories unless this is done in a more humane manner than is now sometimes the case.

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REGISTRAR, CO-OPERATIVE SOCIETIES, BOMBAY PRESIDENCY.

I have the honour to state that I strongly support the recommendation of the Royal Commission on Labour *re* the 'besetting' of an industrial establishment for the recovery of debts being made a criminal and cognizable offence. I would like to invite your attention in this connection to the recommendations of the Bombay Provincial Banking Enquiry Committee, especially those relating to the licensing of money-lenders and regulation of their accounts even though the former has not been recommended by the

Committee. These recommendations appear to me to be the only permanent cure. I also give below an extract appearing at page 217 of the Committee's Report:—

“We think that it is very necessary for district authorities to watch the conduct of the Pathans engaged in money-lending, especially in tracts where the population is backward, and take, whenever necessary, the initiative in prosecuting the Pathans where they are found harassing the people.”

I am of opinion that the above recommendation, if it is properly given effect to, will have a very beneficial result.

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COMMISSIONER, CENTRAL DIVISION.

Personally, I am disposed to agree with the view of the District Magistrate, Poona, that the compulsory registration of public money-lenders is the first step and that if this is adopted and enforced there will be no need for further steps. It is difficult to see why legal provisions which are not necessary in other countries should be necessary in India as suggested by the Labour Commission.

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DISTRICT MAGISTRATE, SATARA.

I have the honour to state that there seems no objection to make besetting an industrial establishment for the purpose of collecting debts a criminal and cognizable offence.

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DISTRICT MAGISTRATE, AHMEDNAGAR.

I have the honour to state that there are no large industrial establishments in this district. I agree, however, with the proposal of the Royal Commission on Labour that besetting an industrial establishment for the purpose of collecting debts should be made a cognizable offence.

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DISTRICT MAGISTRATE, WEST KHANDESH.

I have the honour to state that legislation on the lines indicated by the Royal Commission on Labour seems desirable.

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DISTRICT MAGISTRATE, NASIK, TO THE COMMISSIONER, CENTRAL DIVISION.

I have the honour to state that I have consulted Sir George Willis, Master of the Security Printing Press, Khan Bahadur Dalal, Superintendent of the Government Distillery, and Mr. A. E. Mould in charge of the Railway Engineering Workshop at Manmad. All are agreed that the evils to which the Royal Commission draw attention do not exist as far as their establishments are concerned. Mr. Mould and Sir George Willis think it not desirable to make besetting a criminal offence. Sir George, however, considers that it should be made an offence for an employer to deduct a debt to a third party from wages paid.

2. I agree with the opinion expressed by Sir George Willis.

MASTER OF THE SECURITY PRINTING PRESS, NASIK.

I write to say that we are not so far troubled here by the Pathan money-lenders. These would not be allowed within our grounds at all. They transact their business in the Nasik Road Bazaar and any besetting to which they might resort would be near our main entrance on the Nasik Road where doubtless the Police would prevent *zuluf*.

Some of the banias and others who have permits to supply within the Press and Distillery compound occasionally wait on pay days outside the Press gate. We have a considerable hold over these men and any case of real besetting would be severely dealt with. I do not think that at present there are any cases falling within the Royal Commission's strictures.

We do not of course allow any entry of outsiders to collect dues before a workman receives his pay. I think with the Royal Commission that the entry of creditors to factories to recover dues should be entirely prohibited under severe penalty as it so obviously lends itself to gross abuse. Nor should it be lawful for an employer to recover debts for outsiders from wages except in satisfaction of the order of a court. It is no part of the duty of an employer, or his staff who may be tempted by offers of commission, to act as debt collectors and I am of the opinion that this also should be made unlawful.

The question of besetting outside a factory gate is more difficult. It may be that exit or entry into a factory may be the only occasion on which a legitimate creditor can obtain access to a defaulting debtor who changes his abode if he has any. Besetting with threats or with actual violence is provided under the Code and since the exit of a factory is necessarily a public place there would therefore be ample witnesses, it should be capable of being dealt with by the Police under I. P. C. 506 or 323 and seq. I am strongly against the multiplication of offences if the object sought can be effected by the existing Code. Perhaps if the relevant sections were made cognizable with reference only to offences by money-lenders the case would be met.

It seems to me that the proposal to make habitual usury a crime would be fraught with so great difficulty in this country as not to be feasible.

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DISTRICT MAGISTRATE, POONA.

I have the honour to state that I regret that I have to agree with the opinion of officers whom I have consulted in this matter that the remedy suggested will be entirely ineffective.

I would suggest that in the proposal before us there is an underlying idea of preventing the evil. This is frankly impossible in present conditions. It seems to me that we should recognize this and endeavour to control this evil. One way of doing this would be to bring in legislation making it necessary to register oneself as a money-lender before engaging in the business. Any one who fails to do so can be dealt with effectively either by imprisonment or deportation. Those on the register can be kept under some sort of supervision. When found unsatisfactory (either after some preliminary warnings or otherwise) they can be dealt with effectively by transportation.

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COLLECTOR OF SHOLAPUR.

I have the honour to state that it is not the custom at any of the mills here for money-lenders to be admitted within the mill-premises on pay-day to recover their dues from the operatives. The only recoveries made inside the mill are sums owed to officials of the mill, who it seems sometimes advance money to the workpeople. A supervisor from the Criminal Tribes'

Settlement, who is on duty inside the mills, also collect subscriptions from inmates of the settlement to their Co-operative Society when they receive their wages at the mill. In neither of these cases does any molestation occur, and they would not presumably be prohibited by the Labour Commission's proposal.

2. On the other hand it is said to be a very common practice for Pathan money-lenders to loiter at the entrance of the mills on pay-day and harass those who owe them money; and the general opinion is that the proposal to make such loitering a criminal offence would be beneficial, even though it resulted only in the money-lender shifting the scene of his operations from the mill-gates to the chawls. It might also make him less ready to advance loans than he is now; but any step that hindered mill-hands from borrowing money at usurious rates would be to their advantage.

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DISTRICT MAGISTRATE, BOMBAY SUBURBAN DISTRICT.

I have the honour to state that I regret, I cannot associate myself with the proposals of the Royal Commission on Labour and the intolerant suggestions that have arisen from it. There appears no reason why the payment of interest and the repayment of debts should not be a first charge on wages. Government itself accepts this principle by insisting upon their servants repaying debts, house-rent and contributions to them, before the latter can spend an anna upon the necessities of themselves and their families. As a Junior Assistant Collector I had a bitter experience of this method of collecting debts.

2. The suggestions made for making usury a criminal offence are as out-of-date as the middle ages. It would be far more sensible for the State to undertake a duty which it considers the public cannot perform with fairness and open pawnshops as many European States have done. Perhaps the workmen have nothing to pawn. In that case the money-lender is justified in demanding a high rate of interest for his loans. In any case I deprecate a facile system of administration by the creation of offences. The proper way to deal with this most difficult question is to discover the root causes of the need of working classes to borrow and to meet that need, if the causes cannot be removed. It will never be solved by an attack upon a class which the ordinary citizen cannot admire, but which is nevertheless admitted by the Royal Commission to be fairly scrupulous even in using intimidation and seldom employ it to exact more than the law allows.

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DIRECTOR OF INFORMATION AND LABOUR INTELLIGENCE (LABOUR OFFICE).

As the proposal under consideration arises directly out of the recommendations of the Labour Commission on the question of workers' indebtedness, it is, I think, desirable to consider it not as an isolated proposal but as one closely connected with the other recommendations and in conformity with the end the Commission had in view in making the various recommendations on the subject. The following are the relevant extracts from the Commission's Report. [Not reproduced—same as quoted in paragraph 3 of the covering letter from the Government of Bombay.]

2. The above extracts show that, *inter alia*, the Labour Commission desired (1) to diminish the worker's power of obtaining credit and (2) to make borrowing less easy for him. At the same time they found that marriage accounts for a large single loan which binds him to the money-lender throughout life.

3. The immediate object of the proposed legislation is, in the words of the Government of India letter, as follows:—

“The proposal is aimed at preventing two practices associated with the recovery of debts from industrial workers. One of these,

*which the Commission regard as the more deplorable, is the system whereby money-lenders are permitted by some employers to enter the factory and to collect their dues before the workman receives his pay. The other, and more common, practice is for the money-lender to wait just outside the factory gate and to secure payment before the workman can part with any portion of his wages. An objection to both practices is that they tend to make the payment of interest, and the repayment of debts, the first charge on wages. . . . ."*

4. The Government of India agree that the Commission's proposal does not go far enough "but it appears to offer the possibility of stamping out the practice of recovering private debts at the pay-desk and of checking at least the power of the money-lender to make his demands a first charge on industrial wages".

5. This is what the Labour Commission says in connection with the proposed legislation on pages 235-236 of their Report (see the paragraph on "Besetting an Industrial Establishment").

6. The Government of India's proposal therefore only touches one aspect of the question, namely, to put a stop to the extra-legal methods alleged to be adopted by the Pathans for the recovery of their dues.

7. This is not a new problem. It has been discussed by the Bombay Banking Enquiry Committee, the Central Banking Enquiry Committee and the Riots Enquiry Committee; and I give extracts from the reports of these three Committees in Appendix I to this note. (Not reproduced).

8. From the Bombay Banking Enquiry Committee's Report the following points emerge :

- (1) Industrial towns and backward tracts constitute the Pathan's sphere of operations.
- (2) The usual limits of the advances made by Pathans are from Rs. 5 to Rs. 50, and the most common rate of interest is two annas per rupee per month, or 150 per cent.
- (3) The Pathan seldom goes to a court of law and resorts to intimidation, force and even to other questionable means for the recovery of his dues.
- (4) The Pathans deal with classes of people who have practically no credit and to whom even the village money-lender refuses to make advances.
- (5) It is the means and methods which the Pathan uses for the recovery of his dues that are objectionable.
- (6) The Committee, therefore, suggests that district officers should watch the conduct of the Pathans, take the initiative in prosecuting them where they are found harassing the people, and where complaints of oppression are common and no proceedings can be taken against them under the ordinary law, Government should take action under section 3, of the Foreigners' Act and deport such money-lending Pathans as are found to be a menace to society.

9. The Central Banking Committee have endorsed the Bombay Banking Committee's recommendation as regards the Pathans using extra-legal methods and have expressed disapproval of the practice brought to light by the Bengal Banking Committee under which the borrower is made to sign a promissory note stipulating that the loan shall be repaid in any of the districts mentioned therein.

10. The Riots Enquiry Committee has dealt mainly with the usurious nature of the loans advanced by the Pathans and have pointed out the inconsistency that none of the existing legislation on the subject of usury affects the Pathan although he charges interest as much as 150 per cent.

11. The Government of Bombay in the Home Department have already taken action on paragraph 284 of the Bombay Banking Enquiry Committee's Report. They have, in a circular dated April 30, 1931, asked District Magistrates and the Commissioner of Police to pay particular attention to the operations of Pathan money-lenders. Secondly, they have laid down that when cases of brutality or intimidation can be proved against them the prosecution should be instructed to press for the infliction of severe and deterrent sentences and the police should not hesitate to take action under Chapter VIII of the C. P. C. in suitable cases. They are not, however, inclined to make use of the Foreigners Act against Pathans except in aggravated cases and then only after the Pathans have actually been convicted of an offence or ordered to give security under Chapter VIII of the Criminal Procedure Code.

12. As regards the suggestion made by the Bengal Banking Enquiry Committee, no action has been considered necessary as the practice complained of does not prevail to any considerable extent in this Presidency.

13. It will be apparent therefore that the problem of the Pathan money-lender and his methods has already engaged the attention of Government and certain action has been taken. But before considering whether further action is required, which will take the form of legislation, it is desirable to ascertain who, apart from the Pathans, are the workers' creditors and what are the methods they adopt for the recovery of their dues. The Royal Commission have themselves pointed out that the largest single loan taken by the worker is for the purpose of marriage. This is borne out by the experience of the Labour Office Investigators as also by the tabulations which have been specially prepared from the schedules collected during the family budget enquiry which is at present being conducted by the Labour Office. These tabulations show that (1) of the 492 families considered, 382 or 72.64 per cent. are in debt, (2) the average amount of debt per family is Rs. 179 and of this (3) 36 per cent. is accounted for by marriages. A marriage performed with the least ceremony and pomp would, the social customs of the working classes being what they are, cost at least a hundred rupees and usually more than that amount. A loan of Rs. 100 or above cannot be secured without some sort of security and it is usual, therefore, for the working classes to contract a loan for this purpose from the village sowkar.

14. Among creditors, the next in importance, is the city grocer and bania. He allows the workers to make purchases on credit and when his arrears have amounted to a fairly large sum a promissory note is taken from the worker, perhaps for double the amount. The grocer has two ways of realising his dues. First of all, he charges higher rates for the commodities he sells and, secondly, he charges heavy interest on the money for which the promissory note has been taken. It is not usual, although it may so happen sometimes, for the grocer to visit industrial establishments in order to recover his dues.

15. Next in order of importance are the employers, jobbers and muccadams, hawalallas, hotel-keepers, friends, etc. I give in Appendix to this note extracts from the Fines Report published by the Labour Office (not reproduced) and from an article in the *Labour Gazette* on Refreshment Rooms in Ahmedabad, from which it will be seen that the extent to which advances are given by mills is fairly considerable and that in most cases deductions for these advances are made—probably at the pay-desk—every month or every hapta as the case may be.

16. The city Marwari is also not infrequently patronised by the industrial worker for purposes of borrowing money; but the Marwari does not lend without some sort of security such as ornaments, and with this in his hands he has no necessity to visit industrial establishments to recover his loans.

17. Last in order of importance as a creditor from the point of view of the working classes of this Presidency, particularly those employed in

industrial establishments, comes the Pathan, the fear of whom is deep-rooted in the minds of the peaceful villagers from whom Bombay's working class population is drawn. No respectable worker will, without considerable hesitation, patronise a Pathan money-lender if he can help it. Speaking generally, only those who have no credit with any other creditor, those who have no security to give, those who are drunkards and gamblers and perhaps those who are reduced to desperate straits because of stress of circumstances, go to the Pathan for borrowing money. The loans advanced by the Pathan are usually very petty. This is borne out also by the findings of the Bombay Banking Enquiry Committee's Report where they say that the loans taken from the Pathan usually vary from Rs. 5 to Rs. 50 and are for purposes of temporary accommodation.

18. I have outlined the available information relating to the sources from which the industrial worker obtains money on loan as I think this is a necessary preliminary to the consideration of the proposed legislation in order to see whether it is necessary and desirable and to what extent, if any, it will be effective in putting a stop to the evils with which it purports to deal. Those evils are: (1) stamping out the practice of recovering private debts at the pay-desk; and (2) checking money-lenders from besetting an industrial establishment for the recovery of their dues, and thereby making private debts and interest thereon the first charge on industrial wages.

19. As regards (1), the Royal Commission itself has observed as follows on page 226 of their Report:—

“In some cases the money-lender gets his dues at the source by being allowed to come to the pay-desk, but we have no reason to believe that this is a common practice.”

It is probably true that the practice of allowing private money-lenders to recover their dues at the pay-desk is not very common in this Presidency, but it would not be correct to say that private debts other than those of money-lenders are not recovered at the pay-desk. For instance, all the advances given by the employers or their agents or hotel-keepers or hawalawallas are recovered at the pay-desk. This is probably true, also of the loans advanced by Jobbers and mukadams to the employees. Therefore, it follows that even if private money-lenders are prohibited from loitering about within the precincts of the mill, private debts and interest thereon will continue to be the first charge on industrial wages, so long as the practice of advances by employers, etc., is not prohibited by law. And in this connection it is important to remember; as has been pointed out by the Chief Inspector of Factories, that advances inside the factories have, on the whole, been of service to the employees. The Labour Commission's definition of besetting, which is, “Loitering within the precincts or near or within sight of any gate or outlet of the establishment”, would not, I suggest, cover the case of a private money-lender sitting at the pay-desk to recover his dues with the consent of the employer. The new English Dictionary of Oxford defines loitering as “To idle, to waste one's time in idleness, to travel or proceed idly and with frequent pauses”.

20. On the Labour Commission's own admission, not many private money-lenders recover their dues at the pay-desk. The bulk of the recoveries made at the pay-desk, therefore, relate to advances made by the employers, etc. It would, therefore, appear, that so far as the Labour Commission's object of stamping out payments at the pay-desk is concerned, it will not be fulfilled by the proposed legislation. Moreover, Government in India, which makes any debt owing to it from the humblest of its employees, *e.g.*, for rent, a first charge on wages, could scarcely initiate legislation to prevent private employers exercising the same privilege.

21. As regards money-lenders standing outside or within sight of a factory to recover their dues, the class of money-lender which the Commission seems most to have in mind is the Pathan. It is undoubtedly true that

the Pathan is not very scrupulous in his methods of recovering his dues; but it is doubtful how far the objectionable practices to which he at present resorts would be eradicated by the proposed legislation. For instance, if he is not allowed to stand near or within sight of a factory, he will stand at street corners and with his friends cover every route from the factory and in many cases the homes of the borrowers would be beset.

22. I cannot help feeling that the objection to the Pathan money-lender is largely sentimental, because he resorts on occasions to extra-legal methods to recover his dues. But the assaults which do take place are at street corners or in bye-lanes, not outside factories in the presence of scores of his victim's fellow-workers. The proposed legislation will not cover such cases, nor will it prevent deductions from wages at the pay-desk, nor will it make the use of extra-legal methods outside the factory impossible.

23. Apart from these objections to the proposed legislation, there are numerous others which have been pointed out by the various persons and bodies who have replied to the reference. These may be briefly summarised as follows:—

- (1) The proposed legislation merely touches the fringe of the problem of workers' indebtedness, and as the duty of enforcing it would lie on the shoulders of the police and as a sufficient number of police cannot be spared for the purpose, the law is likely to be a dead letter. Besides this, it will be difficult to obtain proof of besetting and it may lead to many false complaints.
- (2) It would be difficult to define the area of besetting.
- (3) Besetting takes place not only in the case of industrial concerns but also in the case of docks, municipal offices, etc. The legislation, therefore, should cover not merely industrial establishments but the latter concerns also.
- (4) The proposed legislation is likely to be ineffective and demoralising besides being open to objection on the ground of unfairness to the creditors.
- (5) If the proposed legislation alone is relied upon for removing the indebtedness of the worker, the needy workman may be placed in a far worse position than he is in to-day.
- (6) The proposed legislation may lead to an increase in money-lending activities inside the factory.

#### *Conclusion.*

24. It is extremely doubtful whether there is anything innately unfair in making private debts the first charge on industrial wages. As the Municipal Commissioner for Bombay has pointed out, every honourable man regards himself morally bound to consider the claims of his creditor as a first charge on his earnings, and, as I have pointed out above, quite apart from taxation, the State deducts, before payment, any debt due to it from its servants.

25. The proposed legislation will not eradicate the evil, if an evil it is, of deductions at the pay-desk of advances and interest thereon made by the employers, etc.

26. The Pathan and his prototype alleged to be using extra-legal methods will not be deterred by such legislation and may even turn his attention to the worker's home rather than to his place of work for the purpose of assault, intimidation and such other means of recovering his dues. It would be difficult to frame legislation which would apply to the Pathan but exclude the rent-collector or other debt-collectors.

27. So far as this Government is concerned, the action already taken on the subject seems adequate to deal with flagrant cases of brutality in the recovery of loans.

28. In paragraph three of their letter, the Government of India have observed as follows:—

“But they would be glad to have the views of the Local Governments and of those interested in the question both on the Commission's recommendation and on any other methods which may appear desirable for dealing with the evils to which reference has been made above.”

The problem of indebtedness of the Indian industrial worker, as the Royal Commission itself has realised, is mainly a social problem. It cannot be dealt with effectively by piecemeal legislation. The industrial worker has his roots in the village and the problem of his indebtedness is closely connected with the general problem of the indebtedness of the Indian peasant. Any remedies—legislative or otherwise—which it may, therefore, be necessary to adopt, must be of general application.

29. The Bombay Banking Enquiry Committee has recommended legislation on the lines of the Punjab Regulation of Accounts Act of 1930; and this recommendation has been supported by the Central Banking Enquiry Committee. This recommendation, if accepted by Government, will be applicable to all classes and not to industrial labour only. It need not, therefore, be considered here. It would, however, appear that any legislation on this question must be framed with due regard to the basic social organisation of the industrial classes and must be comprehensive in character; otherwise, the remedy may be worse than the disease.

30. To sum up, the proposed legislation deals with only one aspect, and a comparatively trifling one, of the problem of the indebtedness of the worker.

It will not remedy the evil it hopes to eradicate, namely, the use of extra-legal methods by Pathan money-lenders to recover their dues. It will only transfer the area of their operations from the vicinity of the factory to the streets or the homes of the workers—a much greater evil.

It will affect only a small section of the working class population the majority of whom do not resort to Pathans. Those who do are men who cannot get credit elsewhere and for whom the Pathan is the last resort.

It therefore provides no solution whatever of the problem of working class indebtedness.

From an administrative point of view it would be most difficult to enforce and any attempt to enforce it would throw an undue burden on the police.

For these reasons I am of opinion that the Government of Bombay should not support the proposal to make besetting an industrial establishment a criminal and cognizable offence.

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## APPENDIX.

*Extract from an Article by the Labour Investigator, Ahmedabad, on Refreshment Rooms in Ahmedabad Mills.*

*Money lending.*—There is a widespread belief that the owners of the refreshment rooms in mills supplement their earnings by lending money to workers and charging exorbitant rates of interest. The question of lending money does not arise in the case of the four refreshment rooms conducted by the mill itself, by the Labour Union and by the Weaving Master on behalf of the workers. In the case of fifty-four refreshment rooms the mill authorities have prohibited lending money. This prohibition is, it is understood, only nominal in most cases. In the case of forty refreshment rooms there is no prohibition by the mill but the owners of all of them except one state that they do not lend money as they find it difficult to collect even

the dues on account of the sales of refreshments. One of them says that he lends money and that he charges interest at the rate of Re. 0-0-9 per rupee per *hafta* or 112½ per cent. in the case of fortnightly paid workers and at Re. 0-1-0 per rupee per month or 75 per cent. in the case of monthly paid workers. These rates may be deemed applicable to other refreshment rooms also where money lending is resorted to in spite of or in the absence of prohibition by mills. One mill having two refreshment rooms reported that it has permitted a bania from outside to lend money to the spinners, that he charges interest at rates varying from Re. 0-0-6 to Re. 0-2-0 per rupee per *hafta* (75 to 300 per cent.), that the bania pays Rs. 125 per month to the mill in return for the privilege of lending money and that the spinners do not take advances from the mill even when offered at lower rates of interest and prefer to borrow money from the bania as he lends money whenever they require and not at particular intervals only like the mill. Another mill having one refreshment room says that an outsider is permitted to lend money to the workers in the mill but that he does not pay anything to the mill in return for this privilege. In the two mills mentioned above having three refreshment rooms in all it is said that the owners of the refreshment rooms are not allowed to lend money as the privilege has been specially conferred on outsiders.

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#### KARACHI CHAMBER OF COMMERCE.

I am directed to inform you that this Chamber supports the suggestion made by the Royal Commission on Labour in India that besetting an industrial establishment for the purpose of collecting debts should be made a criminal and cognizable offence.

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#### MILLOWNERS' ASSOCIATION, BOMBAY.

The proposal meets with my Committee's approval as one calculated "to cripple the activities of a class of money lenders already generally regarded as a pest to society". My Committee would also like to take this opportunity to add that the Association has consistently set its face against the practice of permitting money lenders to enter the mill premises to collect their dues either at the pay-desk or in the compound of the mill.

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#### KARACHI INDIAN MERCHANTS' ASSOCIATION.

I am directed to state that my Committee quite agree with the recommendation of the Royal Commission on Labour in India that besetting of an industrial establishment for the purposes of collecting debts should be made a criminal and cognizable offence, and urge that Government should take early steps to give effect to the proposal.

2. It may be stated here that the operations of the itinerant money lender, such as is contemplated in the Reports of the Banking Enquiry Committees, Bengal and Bombay, and the Royal Commission on Labour, are not confined to industrial labour alone but his clientele include members of some of the intelligent and educated communities and professions. Even this class of people who fall into the clutches of Pathan money lenders are intimidated and coerced, and seldom, if ever, seek protection of Police against them for fear of divulging their financial difficulties, and respectable position.

3. The Government, however, concerned as it is with industrial labour at present, my Committee would support any enactment that is designed to give effect to the recommendation of the Royal Commission on Labour in this respect.

BUYERS' AND SHIPPERS' CHAMBER, KARACHI.

I have the honour to state that the Committee of my Chamber are in entire agreement with the views expressed in the Report of the Royal Commission on Labour in India regarding besetting an Industrial Establishment, and strongly support the proposal that besetting an industrial establishment for the purpose of collecting debts should be made a criminal and cognizable offence.

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MAHARASHTRA CHAMBER OF COMMERCE.

I have to state that the Committee of this Chamber have carefully considered the subject and they support the proposal to make the besetting of industrial establishments for the recovery of debts a criminal and cognizable offence and they trust that Government of India early undertake the necessary legislation.

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INDIAN MERCHANTS' CHAMBER.

My Committee have considered the question, and are in agreement with the recommendation of the Royal Commission on Labour, that besetting industrial establishments for the collection of debts should be made a criminal and cognizable offence.

They, however, fear that any such provision, *per se*, will not go to the root of the problem. They feel that a wider and a more comprehensive legislation, providing for the registration and the issue of licenses to money lenders, who are notoriously indifferent to the personal rights of the debtors and who take the law into their own hands, should be introduced. At any rate, such a system of registration might, as an experiment, be tried in selected places.

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AHMEDABAD MILLOWNERS' ASSOCIATION.

My Committee is entirely in agreement with the proposal of making it a criminal and cognisable offence to recover the debts from the industrial workers on the part of the money lenders by besetting an industrial establishment for collecting them. To wait just outside the factory gate and to collect payment as soon as a worker receives his pay is highly objectionable on the ground that the workman is being unwillingly coerced to part with his wages before bare necessities of himself and his family are met with from the amounts earned as wages. The process of such collection is mainly based on intimidation, threats of violence and such other means which are in contravention of the principles of ordinary law and for which protection to the borrower from such methods is necessary on grounds of equity. Such practices should be stamped out and necessary legislation should be enacted by Government to prohibit the recovery of private debt at the pay-desks and to put a stop to such intimidating methods and powers of the money lender by which he pounces upon the industrial wages as a first charge against his dues.

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BOMBAY ENGINEERING EMPLOYERS' FEDERATION.

I beg to inform you that the replies I have so far received from the members of this Federation are, with one exception, strongly in favour of the proposal of the Royal Commission on Labour in India, that besetting of an industrial establishment for the purpose of collecting debts should be made a criminal and cognizable offence.

In this connection, the following note by the Staff Officer, B., B. & C. I. Railway, may be of interest:—

“I strongly support the measures recommended by the Banking Enquiry Committee in—

- (1) making habitual usury a criminal offence, and
- (2) the use of power for deportation of certain offenders.

My experience over the last three years in dealing with the money lending fraternity in connection with the staff of the B., B. & C. I. Railway has convinced me that nothing short of the most drastic measures is likely to have any far-reaching effect on these pests.

While treating the besetting of an industrial establishment for the recovery of debts as a criminal offence will undoubtedly cripple the activities of the usurious money lender so far as entering Works and Factories is concerned, it will not prevent him from accosting his victims in the streets or molesting their families in their homes, which is a very common practice; nor will it prevent him from continuing to trick the workers into signing for double bonds for the sums received or in any way restrict the fantastic rates of interest which are usually charged.”

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GENERAL MANAGER AND ENGINEER, THE BOMBAY GAS COMPANY, LIMITED.

We are more than satisfied that the points raised by the Royal Commission on Labour are of the utmost importance and at the same time deserving of serious consideration by all employers of labour, as in our opinion the professional money lenders and their ways are an absolute curse not only to the labourers themselves but to their employers. As far as this Company is concerned, this position was recognised years ago and the management deliberately set to work for our mutual benefit to try and remedy matters and so make the life of our employees and their families more happy as we were satisfied this would result at the same time in better service being given. We called our employees together and asked for their views on the matter and explained it was a very undesirable practice to have anything to do with the usual type of money lenders, such as Pathans and other itinerant people, who not only tricked the workers into signing for very much larger amounts than the applicant actually borrowed but at the same time charged them exorbitant interest on a sum of money that they had not actually received. And (1) as a first step we proposed to introduce a method of payment of wages to every individual employee when the money would be counted out and checked in front of him and put into his hands only. So that to start with, the employee was certain that he or she had the correct money they had earned. All Mucadams were informed that they should on no account take money from people working under them and the workers were also told that they were on no account to give Mucadams money for working under them, and if it was discovered that these instructions were not being strictly adhered to such cases would result in instant dismissal. The idea of this was to do all possible to make sure we had built up on a good foundation and had a clean state at our own Works. (2) We then took steps to prevent any money lenders entering upon the premises. (3) After this our Gate Watchmen were given instructions to warn any individual they knew to be a money lender that they must remove themselves and not loiter near the entrance to the Works or molest our workpeople in any way and if they did not comply with the watchmen's request we would ask the Police to compel them to do so. At first we had a certain amount of trouble to get the money lenders to remove themselves, but as they found us persistent they eventually gave it up as a waste of time with the result we have for several years been free of this pest. (4) The next effort we put forward was

that of agreeing that some of our officers and other employees should consult the Government Registrar, Co-operative Societies, Bombay, with a view to obtaining his advice as to our employees forming "The Bombay Gas Workers Co-operative Credit Society, Ltd.," and with his kind assistance this was formed and our workpeople were informed as to this and that they would be well advised to support it as they could borrow money from the Society at a very reasonable rate of interest should their application be approved of and there would be no need for them to go to the money lenders in the streets who treated them so unjustly and made their life and that of their family so hard and miserable. This Society is today a flourishing concern and has some 400 members and is, we understand, considered by the Registrar as "A" Class.

Summing the situation up today, we are satisfied the position of our employees has benefited considerably and they are far more happier now as some of them are freed from the grip of outside money lenders and we have every reason to think as time goes on further improvement will mature. Unfortunately some of our employees, we believe, are still in the hands of outside money lenders as the Company is receiving month by month a few Court attachment orders on their pay, but the number of these orders are not a tenth of those formerly received and we are hoping they will gradually disappear altogether. We have tried to obtain information as to the reasons for borrowing, as the Company for many years has had a very generous Provident Fund in addition to a Gratuity or Service Fund and in cases of the employee's sickness he is allowed to draw on the Provident Fund a certain percentage, so that we found out that usually the cause for borrowing was not that of sickness, but in a great many cases it was for the purpose of meeting expenses in connection with marriage ceremonies. We will now revert to the direct question as to the proposal that "should the collecting of such debts be made a criminal and cognizable offence?" Our experience has forced us to look upon the street money lenders as the principal cause of making the life of the worker and in turn his family a very hard and unhappy one and we ourselves consider our employees would be far better off without such people, and we would be very glad to see money lenders eliminated, but it is quite possible that some of our workpeople think differently and consider them indispensable and with this in view we would like to suggest for the consideration of the Director of Information and Labour Intelligence that would it not be preferable to first of all legislate at the root of this matter in the form of making it compulsory by law for the applicant and the money lender to attend a Government Office and have the transaction carried out and signed in such office and stamped and that eventually only such cases would be recognized. This, we think, would go a very long way towards making the lives of workers and their families far more happy than they are today and no doubt in time enable labour to be free from the terrible injustice they are subjected to by the street money lenders of today. Our contention is that these money lenders can in the ordinary way be prevented from entering works or factories and all kept away from the employers' entrances to their premises, but it is doubtful if they can be kept away from the places they live in or from being accosted in the streets.

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#### CHAMBER OF COMMERCE, BOMBAY.

My Committee have carefully considered the above proposal, in consultation with the Labour Sub-Committee of this Chamber, and desire to support it. I am to state, however, that while my Committee consider the proposal a necessary and urgent measure, they feel that it will not solve the very serious problem of indebtedness. My Committee have therefore considered the other methods for dealing with the evil, to which a reference is made in paragraphs 2 and 3 of the Government of India's letter

which accompanied your letter under reply. While the problem is such that the strongest measures may be required to deal with it, my Committee do not consider that they have sufficient information to justify, at this stage, the enactment of legislation for making habitual usury a criminal offence or the use of the power of deportation for certain offenders of this class. My Committee recommend that the Government of India should undertake a thorough investigation of all the information on this subject which is contained in various reports and then proceed to legislate with a view to the registration of money-lenders and the regularisation and control of the granting and taking of loans and the rates of interest charged. My Committee feel that after this has been done it will be easier to ascertain the desirability of further legislation on the lines indicated in the Government of India's letter.

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#### KARACHI PORT TRUST.

I have the honour to inform you that the Board supports the recommendation of the Royal Commission that "besetting" an industrial establishment for the recovery of debts should be made a criminal and cognizable offence.

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#### BOMBAY TELEPHONE COMPANY LIMITED.

I have considered the matter and discussed it with officers of the Company including Indian Officers with practical experience of the subject.

Desirable as the elimination of "besetting" is thought to be, it is considered unlikely that in practice a law of the suggested kind would be effective. As you are no doubt well aware, the Pathan money-lenders work in gangs and every likely route from the factory would be waylaid by members of the gang. Even if it were possible to stop money-lenders from collecting from borrowers in this way it is thought that in many cases the homes of the borrowers would be "best". There appears to be a very strong feeling of fear of money-lenders of this type which results in the borrower being only too anxious to pay the money lender first and satisfy, so far as he can, his other needs afterwards.

It is thought that two amendments in the law will assist towards the desired end:—

- (1) The fixing of maximum rates of interest, the suggestion being that for short term loans (up to six months) the maximum should be 15 per cent. per annum and for longer terms 12 per cent. per annum.
- (2) That it should be made a criminal offence for any lender to take a Promissory Note for a greater sum than the actual sum advanced in cash to the borrower.

The second suggestion is made as it is well known that the present common procedure is for money-lenders to take a Promissory Note for a sum largely in excess of the actual amount of cash which passes from the lender to the borrower, which leads to a perfectly good legal claim based on the Promissory Note which is in actual fact a completely unreasonable one.

In no circumstances are money-lenders allowed inside my Company's premises to collect their dues before or after the workman receives his pay. There is, however, no doubt that money-lenders do in fact wait in close proximity to the gate through which workmen leave the premises.

## PRESIDENT, KARACHI MUNICIPALITY.

I beg to inform you that the proposed legislation is a step in the right direction. I may inform you that in this Municipality, I have already stopped the money-lenders or their agents from entering the compound walls of the office on pay day. I have also further stopped them from entering the quarters of our low paid employees and this had a very desired effect.

I am also in favour of stopping by law any organisation for recovery of debts. These organisations become oppressive in practice because they are paid certain commission on recovery of debts.

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 COMMISSIONER, BOMBAY MUNICIPALITY

I have the honour to state that after careful consideration, I am not inclined to support the proposal in its entirety.

2. In the first place, the proposal relates to industrial establishments only; and leaves out of its purview the bulk of the labour employed by public bodies like this Municipality and other commercial organisations, which in this respect is in no way distinguishable from industrial labour. If this class of labour can do without the special protection proposed, I fail to see why such protection should be necessary for industrial labour only.

3. Secondly, while I agree that workers employed in an establishment are entitled to be protected from the attentions of money-lenders within the precincts of those establishments, I see no sufficient reason why a creditor should be prevented from demanding his dues from a debtor outside the latter's place of employment, or at any place, so long as he does not cause any hindrance to traffic or otherwise infringe the law. Unfortunately it cannot be denied that some debtors who seek the assistance of money-lenders in their hour of necessity, subsequently resort to every species of trickery to evade the repayment of their debts. In such cases, I fail to see why our sympathy should be monopolised by the former, or obstacles thrown in the way of the latter. The pay-day is naturally the most favourable time when the creditor can hope to recover a portion of his debt; and the vicinity of the factory is perhaps the only place where payment can be effectively secured. So long as recourse is not had to any illegal or extra-legal methods, I do not see why the creditor should be debarred from recovering his dues at the time and place most suitable to him. I see nothing to shy at in the proposition that the repayment of debt should be a first charge on wages. After all that is the code to which every honourable man is and should be expected to conform. The proposed provision moreover would not be fully effective, as while money-lenders may be prevented from loitering near an industrial establishment, means would always be found by them for getting at the workers before the latter reach their homes or spend away their wages.

4. Lastly, I venture to think that while the proposed measure would secure some sort of temporary relief for the industrial worker, it is no solution of the problem of his indebtedness. What is required is the development of institutions for cheap and easy credit which would replace money-lenders of the type contemplated by the Royal Commission. So long as these means are not devised, and resort to money-lenders becomes necessary, any measures which would seek to prevent the latter from recovering their dues are bound to prove ineffective and demoralising, besides being open to objection on the ground of unfairness.

## GRANT ROAD PARSEE ASSOCIATION, TEXTILE LEAGUE, BOMBAY.

I have the honour to state that the views of our League are as follows :—

- (1) We support that besetting an industrial establishment for the purpose of collecting debts, should be made a criminal and cognizable offence.
- (2) We further suggest that employers should start a Loan Fund, to enable the workmen to borrow money on easy and reasonable terms.

## BOMBAY PORT TRUST EMPLOYEES' UNION.

My Managing Committee has carefully considered the question and I am directed to say that this Union will welcome a legislative measure making besetting an industrial establishment for the purpose of collecting debts a criminal and cognizable offence.

The Royal Commission's recommendation in this behalf was made nearly eighteen months ago and my Union would urge that no time should be lost in giving it a statutory form.

## SOCIAL SERVICE LEAGUE, BOMBAY.

My Committee welcomes the proposal for giving effect to the recommendation made by the Royal Commission on Labour in its report, for the prevention of the practice of besetting industrial establishments adopted by money-lenders for recovering debts from workers employed therein. The system whereby money-lenders are permitted by employers to enter the factory and to collect their dues before the workmen receive their pay, is very rare in Bombay. The other practice, referred to by the Government of India in their letter, *viz.*, the money-lenders waiting just outside the factory gate with the intention of recovering their dues from the workmen as soon as they come out, is quite common. Pathans, Marwaris, Baniyas and others are seen on pay days waiting just outside the gates of mills, factories and workshops. They pounce upon their debtors as soon as they come out with their wages in their pockets. In the case of a large number of workmen, this results in their going home nearly empty-handed. The rate of interest being very high, those who once borrow from Marwaris or Pathans remain in perpetual indebtedness. In spite of the receipt of wages at the end of each month they have to begin each new month with loans and purchases on credit. This career of indebtedness is unending and so long as it is allowed the economic degradation of the working classes can never be remedied.

2. My Committee, however, believes that it will not be enough if only besetting an industrial establishment for the purpose of collecting debts is made a criminal and cognizable offence. According to the recommendation made by the Royal Commission on Labour besetting may be defined as loitering within the precincts or near or within sight of any gate or outlet of an establishment. It will, no doubt, mitigate the nuisance to a certain extent. But it is doubtful how far the proposed measure will be successful in achieving the main object in view. If the moneylenders are prevented from standing outside or loitering near the gates they will stand at some distance, especially at street corners or cross roads, where the workmen going home with wages in their pockets can be caught hold of. Thus it will not be difficult for the money-lenders to defeat the object of the proposed legislation. Again, it is very doubtful whether the police will care to be present every month at the gate of each factory, mill or workshop, to see to it that those who transgress the law in this respect are duly prosecuted.

3. My Committee would, therefore, urge that the Government should not rely upon the proposed measure alone, for putting a stop to the tyranny of the money lenders over their workmen debtors, and that the strong measures suggested by the Bengal and Bombay Banking Inquiry Committees in their reports, which have been referred to in the Government of India's letter under reply, should be seriously considered and given effect to at an early date. My Committee is of opinion that the extra-legal methods used by money lenders for the recovery of their debts cannot be effectively checked except by adopting such stringent measures as making habitual usury a criminal offence and deporting such money lenders as are convicted of the offence of using extra-legal methods for recovering debts or collecting interest thereon. Also my Committee holds that if the proposed legislation is not supplemented by legislation on the lines indicated by the Bengal and Bombay Banking Inquiry Committees, it will result in preventing Baniyas and Marwaris from extending credit to workmen in lending money or selling things to them and consequently in increasing the clientele of the Pathan money-lenders who will circumvent the law by going to the houses of workmen or by catching them in streets and recovering their dues by threats of violence. The Pathans will have thus practically all the field to themselves. My Committee is, therefore, afraid that if the proposed legislation alone is relied upon, the needy workmen will be placed in a far worse position than the one they are in today.

4. In this country the practice is very common among money-lenders getting a pro-note signed in their favour by the debtor for double the amount of money actually advanced as loan. This practice should, my Committee urges, be made a criminal offence.

5. My Committee would also suggest that money lenders should be prohibited by law from having their shops or business offices near industrial establishments. This prohibition will be helpful in making effective the proposed law against the besetting of industrial establishments for recovery of debts by money lenders who may resort to the device of having their shops or offices near those places for evading the law.

6. Lastly, my Committee would urge the necessity of passing a Money Lenders' Act which would be comprehensive in its scope and give adequate protection to borrowers, especially industrial workers and agriculturists. This Act may be modelled on the British Money Lenders' Act of 1927. Under this Act the professional money lenders should be required to take out licenses which may be suspended or cancelled if the conditions laid down by the Act are not duly observed, forms of money lenders' contract should be prescribed, the charging of compound interest should be prohibited, restrictions should be placed on money lending advertisements and canvassing by agents for money lending business, and the money lenders should be bound to supply information regarding their accounts. There should be an All-India Legislation on these lines and if necessary the Act should be applicable only to industrial centres in the beginning so that in the light of the experience gained in that experiment it may be modified and made applicable to the whole country. If the passing of Acts of this kind is to be entrusted to Provincial Legislatures, the Central Legislature should lay down the principles on which such legislation is to be based and indicate the lines along which it should be shaped.

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PRESIDENT, BOMBAY DOCKS AND HARBOUR STEVEDORES LABOUR UNION.

That my Union sees no reason whatsoever in penalising money lenders of any type if he is permitted by the employers to collect his dues at the pay-desk or collect the same at or near the gate of a factory.

2. That my Union sees no hardship on the workman if his debt is paid by instalments at the pay-desk as it makes no difference whether the interest and the repayment of the debts is the first or the last charge on the industrial wages. It is enough if it is a legal liability on the workman to pay the debt.

3. My Union regrets very much that it cannot accept the remarks of the Royal Commission on Labour that "The lathi is the only Court to which they appeal, and they may be seen waiting outside the factory gate on pay day ready to pounce on their debtors as they emerge." Having had a long-standing experience of the Criminal Courts of this great industrial City I for one would not agree that the money-lenders resort to lathi for intimidating the debtor. The average workman of the mills in Bombay is an usual frequenter of the Police Courts and if a money lender were found wielding his lathi he would not be spared from being taken to the Police Court as there are ample provisions in the Indian Penal Code to meet with the cases of this character. My Union is well aware that when a debtor is proved to have been the victim of the lathi the Magistrates of the City have taken very serious views and have awarded ample compensations to the workman.

4. That my Union feels that any provision made to punish the money lender for loitering or waiting at the gate to meet his debtor would be more abused by the debtors than it would deter the money lender to approach his debtor when he has some money to discharge his debts.

5. That my Union considers that an attempt to penalise the money lender as suggested would turn the workman into a dishonest borrower and which would in turn make the money lender more drastic in his method of recovering his dues either at a liquor booth where an average workman on the pay day is invariably found or at his chawl.

6. That my Union regards these suggestions to penalise the money lenders in the manner expressed are not only unjust but are the *ex parte* and partial opinions. Evidently there was none to defend the money lenders and their interests in the Commission or in the Banking Committee. The methods adopted by the workman to evade repayment of the debts equally deserve penalising if not more.

7. That my Union sees no difference between the method of collecting interest and debts of the money lender of a Pathan type and that of a big banking concern. The bank advances to individuals and concerns that are known to them. The banks also make their claims as the first charge on the wages of the individuals whose salaries they get attached under the orders of the Court and thus mulct the debtor into court costs.

8. That my Union therefore suggests that the factory managements should either give advances or give loans to their workman and they be permitted to deduct from their wages.

9. That my Union also suggests that a small Committee be appointed to investigate the indebtedness of the factory workman to the itinerant or Pathan or Marwari money lender, their methods of recovery of interests and debts and the repayment by the workman and to report on the best method to deal with the situation if it is indeed a danger to the efficiency and peace amongst the workmen.

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#### THE BOMBAY DOCK WORKERS' UNION.

The recommendation of the Royal Commission on Labour in India as contained in your communication was given very best consideration by the Executive Committee of my Union and the Committee came to the conclusion that the scope of the said recommendation is too narrow to cover up the issue raised therein. Therefore my Committee feels that, should the same be converted into law, it is not worth while going into the expenditure which the detection of such a crime must naturally entail.

In the first place my Committee is strongly apprehensive that the measure on the lines proposed by the Royal Commission will not be able to combat the evil; secondly, granting an efficient machinery was set up, it will be far from solving the real factor which drives a worker to a money lender.

The measure aims at the private money lenders only, leaving other factions which make a first call on a worker's earnings quite free—for example, a worker is behind in paying the rent of the tenement under his occupation, the landlord obtains a decree from court of law on the strength of which he often attaches the earnings. This, in all essentials, is a first call on the earnings of that worker, however scanty they may be. Under such consideration my Committee holds that the proposed measure is bound to fail in its mission and as an alternative suggests that private money lending itself must be made criminal and punishable by imprisonment. Simultaneously promoting co-operative credit societies with their committees elected from the workers through their respective unions.

#### BOMBAY TEXTILE LABOUR UNION.

My Union welcomes the desire on the part of the Government to try to mitigate the piteous suffering of the industrial working classes which emanate from the crushing burden of their indebtedness and to check the ruthless ways and practices employed by the money-lending classes for fleecing the helpless industrial workers by giving effect to the recommendation of the Royal Commission on Indian Labour for the prevention of the practice of besetting industrial establishments adopted by money lending class for recovering debts from workers employed therein. My Union would, however, like to take this opportunity of urging on Government the necessity of immediately giving effect to the more important recommendations of the Whitley Commission for checking the evils associated with the problem of indebtedness of industrial working class. They are many and more substantial.

2. The Whitley Commission has recommended that besetting of an industrial establishment for the purpose of recovery of debts should be made a criminal and cognizable offence as it tends to make the payment of interest and repayment of debts the first charge on wages. It is needless to emphasise that it is quite essential to enact legislation for the purpose of ending such evil practices. In Bombay generally the employers do not allow money lenders to enter the factory premises for collecting dues before the workman is paid. The money lenders swarm at the gate of the factory waiting for their victims to come out and exact the payment of their dues no sooner the worker steps out of the factory gate with the result that many a worker has to return home empty-handed after a month's hard toil and think of raising a fresh loan for the maintenance of himself and his family. The rate of interest he pays is generally 75 per cent. In some cases it is as high as 300 per cent. The economic conditions of the industrial working classes are so vile and wretched, their earnings so meagre and low that once a worker gets into the debt he seldom succeeds in freeing himself from the clutches of the money lending class. And the occasions for borrowing money in his case are numerous and unavoidable. Often it so happens that he comes to inherit the debt of his parents, adds to it during his life time and leaves the world heavily indebted.

3. The main object in penalising the practice of besetting an industrial establishment for the purpose of recovery of debts is that it tends to make the payment of interest and the amount of debt the first charge on wages and the workman is compelled to make disbursement on these before he can think of purchasing the prime necessities of his family. My Union wants to point out that the object is surely not likely to be achieved by only making the besetting of an industrial establishment a criminal and cognizable offence. The Whitley Commission have opined in explaining what besetting ought to mean that it should be defined as loitering within the precincts or near or within sight of any gate or outlet of an establishment. Legislative experiments in the past to impose restrictions in usury have been invariably ineffective and failures. The Usurious Loans Act of 1918 empowered the

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Court to relieve the debtor of excessive rate of interest. But the money lending class devised the brutal and ingenious method of compelling the debtor to pass a promissory note for double or treble the actual amount of debt and thus successfully evaded the restrictions and limitations imposed on their methods of ruthless exploitation of the helpless class of debtors. Provisions which would not allow easy scope for evasion must therefore be devised. If the money lenders are prevented from standing or loitering near the gates of industrial establishments they will stand at a distance which will not bring them into the clutches of law, especially at street corners, where they can easily prey upon the workmen going home with wages in their pockets. It will be thus evident how very easy it is for the money lending class to defeat the object of the proposed legislation.

4. My Union is, therefore, of opinion that more drastic measures are essential for checking the tyranny of the money lending class and the measures recommended by the Bombay and Bengal Banking Enquiry Committees, which have been quoted in the Government of India's letter under reply should be given effect to. My Union thinks it is essential to make habitual usury a criminal offence and deport money lenders, for effectively checking the extra-legal methods used by the money lenders for the recovery of their debts. In conclusion, my Union would like to emphasise that all the recommendations of the Whitley Commission should be given effect to in addition to the proposed piece of legislation without any more waste of time if they really think of giving some relief to the industrial workers who are groaning under the unbearable burden of indebtedness. It is necessary to bear in mind that even then the relief will be very slight and partial. The Royal Commission on page 232 have remarked that "although the preceding recommendations should be of considerable assistance they will not by themselves deal any severe blow at the existing system". The evil is of a very dreadful character and many sided. My Union would, therefore, like to urge the necessity of passing a Money Lenders' Act which would be comprehensive in its scope and deal with the evil adequately on all sides and give protection to the industrial workers and agriculturists.

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**BOMBAY SHROFF ASSOCIATION, BOMBAY.**

My Committee agree with the recommendations of the Royal Commission on Labour that besetting of an industrial establishment by Pathans and itinerant money lenders for the recovery of their debts should be made a criminal and cognizable offence as their method of recovering debts is very harsh and harassing and besides tends to make their claim the first charge on poor workmen's wages. However my Committee would like to point out that legislation should not be so stringent as entirely to suppress the money lending business of this class of persons as there are none except these Pathans and itinerant money lenders who will supply the workmen with the money they need. My Committee are further of opinion that with a view to proper protection of the interests of workmen, Government should also pass legislation against those employers who allow money lenders to enter their industrial establishment.

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**BOMBAY PROVINCIAL CO-OPERATIVE INSTITUTE.**

I have the honour to state that the Executive Committee of my Institute are in agreement with the recommendation of the Royal Commission on Labour that "besetting" an industrial establishment for recovery of debts should be made a criminal and cognizable offence.

In Bombay there are several Co-operative Credit Societies which carry on money-lending business among industrial employees and although most of their recoveries depend upon voluntary payments by borrowers, and in some cases through their employers, the Secretaries or Collectors of these Societies are many times required to visit the industrial places to recover their dues from the recalcitrant borrowers. The proposed enactment about "besetting" should therefore provide exemption in favour of the Co-operative Societies as in their case there is no element of intimidation or resort to the "lathi" referred to by the Royal Commission.

It may be pointed out that the money lending business by private persons in an industrial area is not necessarily restricted to Pathans or Marwaris but the temptation of earning high rate of interest on small advances exists among the highly placed class of industrial workers themselves, for instance, the jobbers who by virtue of their position enjoy greater advantages in securing so to say a first charge on the wages of their clients. The proposed legislation is likely to be more effective if it restricts the activities of this class as well.

My Committee are also of opinion that the industrial worker even with the proposed measure, may not be free to convey all his wages home safely since it is not unlikely that his creditor may accost him on the way and wrest monies from him by practising intimidation and thus defeat the object of the proposed legislation. This can be avoided only if the industrial worker is housed by the employer and provided with co-operative provision and other stores near the establishment, of the nature referred to under the heading of "Markets and Co-operative Stores" at page 251 of the Labour Commission's Report.

My Committee would further suggest that as a measure of affording greater security from extra-legal methods practised by unscrupulous money lenders, legislation to license money lenders may also be undertaken.

My Committee, therefore, urge that in addition to the proposed legislation the remedies suggested by the Bengal and Bombay Banking Inquiry Committees in their reports should also be given effect to. My Committee also believes that extra-legal methods used by money lenders for the recovery of their debts cannot be effectively checked unless such stringent measures, as making habitual usury a criminal offence, and deporting such money lenders as are convicted of such an offence, are also adopted as early as possible. Thus the proposed legislation requires to be supplemented on the lines indicated by the said Banking Inquiry Committees in such a way that by preventing Baniyas and Marwaris from extending credit to workmen proper care is taken to see that thereby clientele of the Pathan money lenders is not increased as they are bound to circumvent the law by going to the houses of workmen and recovering their dues by threats of violence. The Pathans may have thus practically the whole field to themselves.

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*Serial No. 110.*—LETTER TO ALL LOCAL GOVERNMENTS AND ADMINISTRATIONS (EXCEPT NORTH-WEST FRONTIER PROVINCE AND BALUCHISTAN), No. L.-3013, DATED THE 27TH APRIL 1933.

I am directed to forward a copy of a Bill introduced by Mr. N. M. Joshi in the Legislative Assembly on 24th March 1933 and to request that the Government of India may be favoured with the views of the Local Government upon it. The recommendation of the Royal Commission on Labour which the Bill is designed to implement formed the subject of Mr. Jayaratnam's letter No. L.-3013 of 27th August 1932, and, if the Local Government have nothing to add to the views sent in reply to that letter, a reference to their previous reply will suffice. The Government of India propose to publish the replies to that letter and to this one.

*Serial No. 116.*—LETTER FROM THE CHIEF SECRETARY TO THE GOVERNMENT OF BOMBAY, POLITICAL AND REFORMS DEPARTMENT, No. 9253-B., DATED THE 10TH MAY 1933.

I am directed to invite attention to Mr. Turner's letter No. 9253-D., dated the 27th January 1933 [File No. L.-3013 ( ) of 1933], and to state that the Governor in Council has nothing to add to the views expressed therein.

*Serial No. 117.*—LETTER FROM THE HON'BLE THE CHIEF COMMISSIONER, AJMER-MERWARA, No. 800/283-C.C./32, DATED MOUNT ABU, THE 11TH MAY 1933.

I have the honour to state that I have nothing to add to the views already expressed in my letter to the Government of India in the same Department No. 63-C./283-C.C./32, dated the 24th December 1932 [File L.-3013 ( ) of 1933].

*Serial No. 119.*—LETTER FROM THE CHIEF COMMISSIONER OF COORG, No. 1187/75-1929, DATED THE 11TH MAY 1933.

I am directed to say that the Chief Commissioner has nothing to add to the views already expressed in my letter No. 3000/75-29, dated the 8th November, 1932 [File L.-3013 ( ) of 1933].

*Serial No. 128.*—LETTER FROM THE SECRETARY TO GOVERNMENT, CENTRAL PROVINCES, LEGAL DEPARTMENT, No. C.-46/435/L.D., DATED THE 17TH MAY 1933.

I am directed to say that the Local Government has nothing to add to the views expressed in its letter No. 163/2281-XIII, dated the 21st of January 1933 [File L.-3013 ( ) of 1933].

*Serial No. 131.*—LETTER FROM THE SECRETARY TO GOVERNMENT, UNITED PROVINCES, INDUSTRIES DEPARTMENT, No. 895, DATED THE 23RD MAY 1933.

I am directed to say that the draft Bill does not define the word "besetting". In the absence of such a definition, it is difficult to see how Criminal Courts can be expected to enforce the law. This Government see no reason to modify the views which they expressed in their letter No. 2312, dated December 23, 1932 [File L.-3013 ( ) of 1933].

*Serial No. 132.*—LETTER FROM THE SECRETARY TO GOVERNMENT OF BIHAR AND ORISSA, REVENUE DEPARTMENT, No. 98/XL-29-Com. R., DATED THE 20TH MAY 1933.

I am directed by the Governor in Council to say that the Local Government have nothing to add to their views which were communicated to the Government of India in Mr. Prior's letter No. 6275-Com., dated the 30th December 1932 [File L.-3013 ( ) of 1933].

*Serial No. 196.*—LETTER FROM THE CHIEF SECRETARY TO THE GOVERNMENT OF ASSAM, GENERAL AND JUDICIAL DEPARTMENT, No. J.-538/4624-G.J., DATED THE 29TH MAY 1933.

I am directed to say that this Government adhere to the views expressed in their letter No. Immgn.-344/12237-G.J., dated the 23rd December 1932 [File L.-3013 ( ) of 1933], on the subject of providing punishment for besetting an Industrial Establishment for recovery of debt. The bill as drafted does not define an "Industrial Establishment". But for the purpose of Income-tax, Tea Estates have been defined to be partly industrial and partly agricultural. This Government are not sure whether the words "Industrial Establishment" will include the tea garden establishments. If not, I am to suggest that a definition of "Industrial Establishment" may be included in the Bill so as to cover tea garden establishments.

2. The bill may also be so altered as to protect municipal and local board employees as people like municipal sweepers, etc., deserve protection against high handed money-lenders just as much as employees of an ordinary industrial establishment.

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*Serial No. 139.*—LETTER FROM THE SECRETARY TO THE GOVERNMENT OF BURMA, JUDICIAL DEPARTMENT, No. 350-V-32, DATED THE 30TH MAY 1933.

I am directed to invite a reference to my letter No. 350-V-32, dated the 12th January 1933 [File L.-3013 ( ) of 1933], dealing with the proposal of the Royal Commission on Labour that besetting on industrial establishment for the purpose of collecting debts should be made a criminal and cognizable offence, and to say that the Local Government has nothing to add to the remarks offered therein.

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*Serial No. 141.*—LETTER FROM THE SECRETARY TO GOVERNMENT, PUNJAB, FINANCE DEPARTMENT, No. 1126-S.-I. & L., DATED THE 7TH JUNE 1933.

I am directed to say that the Governor in Council has nothing to add to the views submitted to the Government of India in my letter No. 871-I. & L., dated the 11th January 1933 [File L.-3013 ( ) of 1933].

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*Serial No. 145.*—LETTER FROM THE SECRETARY TO THE GOVERNMENT OF MADRAS, PUBLIC WORKS AND LABOUR DEPARTMENT, No. 1263-L., DATED THE 8TH JUNE 1933.

I am directed to state that this Government have nothing to add to the views expressed in this Government's letter No. 21-L., dated 4th January 1933 [File L.-3013 ( ) of 1933].

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*Serial No. 150.*—LETTER FROM THE SECRETARY TO THE GOVERNMENT OF BENGAL, JUDICIAL DEPARTMENT, No. 296-J.D., DATED THE 11TH JUNE 1933.

I am to say that the Governor in Council has carefully considered the provisions of the Bill and is of opinion that if it is considered necessary to use the word "besets" in clause 2, the drafting of the Bill would be

improved if this term were clearly defined. In this connection, however, I am to refer to paragraph 2 of this Government's letter No. 421-Com., dated the 21st January 1933 [File L.-3013 ( ) of 1933], in which the Governor in Council recognised the advantage of adopting the proposal of the Royal Commission on Labour to the effect that 'besetting' should be defined as loitering within the precincts, or near, or within sight of, any gate or outlet of an establishment. In these circumstances His Excellency in Council considers that it is hardly necessary to use the word "besets" in the proposed new section 507-A of the Indian Penal Code which may be worded as follows:—

"Whoever loiters within the precincts of, or near, or within sight of, any Industrial establishment with the intention of recovering or attempting to recover any debt due from any workman, etc."

I am also to commend for the consideration of the Government of India, the desirability of defining the term "Industrial establishment"—in case a definition is considered necessary—in such a way as to include "Establishments, other than factories, such as docks, jetties, etc., which are used for the transport of goods".

As regards clause 3 of the Bill, relating to amendment of Schedule II of Act of 1898, His Excellency in Council considers that the proposed penalty of imprisonment for one year is excessive and may be reduced to six months.

*Serial No. 159.*—LETTER FROM THE CHIEF COMMISSIONER, DELHI, No. 86-CAMP./INDUSTRIES, DATED THE 17TH JULY 1933.

I have the honour to say that the District and Sessions Judge, Delhi, is of opinion that some definition of the term 'industrial establishment' seems to be necessary. He would prefer, in fact, to make the offence of "besetting" apply to any place where a workman goes to seek his pay, omitting the reference to 'industrial establishment'.

I have nothing to add to the opinions furnished with my letter No. 175, dated 9th January 1933 [File L.-3013 ( ) of 1933].

COPY OF LETTER NO. L.-3013, DATED THE 17TH AUGUST 1933, FROM THE DEPUTY SECRETARY TO THE GOVERNMENT OF INDIA, DEPARTMENT OF INDUSTRIES AND LABOUR, TO THE SECRETARY TO THE GOVERNMENT OF BENGAL, COMMERCE DEPARTMENT.

I am directed to invite a reference to the correspondence ending with your letter No. 421-Com., dated the 21st January 1933, on the subject noted above.

2. The replies which have been received by the Government of India to their circular letter No. L.-3013, dated the 27th August 1932, indicate that non-official opinion is almost unanimously in support of the proposal and would welcome legislation on the lines suggested by the Commission. Official opinion, on the other hand, is definitely divided, and in certain provinces much of it is critical. Of the nine major local Governments (excluding the Government of the North-West Frontier Province), three (including the Government of Bengal) support the proposal without qualification, three oppose it and the remaining three doubt the practical value of penal legislation of the type contemplated. The Government of Bombay report that they have already taken action on the recommendation of the Banking Inquiry Committee in this respect, and have instructed District Magistrates and the Commissioner of Police "to pay particular attention to the operations of the Pathan money-lender and in cases of brutality or intimidation

to prosecute and press for the infliction of severe and deterrent sentences". They have added the further instruction that there should be no hesitation in taking action under Chapter VIII of the Criminal Procedure Code in suitable cases. They are opposed to legislation of the kind recommended by the Commission on this and other grounds, and express preference for a solution on the lines which are already being attempted by them. The Government of Madras state that the use of extra-legal methods for the collection of debts from workers is by no means widely prevalent in that Presidency, and while they accept the principle of the Commission's proposal, they express doubts in regard to the effectiveness of legislation in the matter. The Governments of the United Provinces and Bihar and Orissa express views almost similar to those of the Government of Madras. The other local Governments which oppose the proposal suggest *inter alia* that the law would be difficult to administer, that it would adversely affect credit and the rates of interest for a limited class of workers, and that the real remedy lies in mass education and the provision of proper credit facilities.

3. The Government of India believe that these differing replies reflect different conditions in the various provinces and that in a matter of this kind, it is not necessary that legislation should be uniform in action throughout the different provinces. They consider, therefore, that it is undesirable to embark on all-India legislation. But they believe that an experiment on a limited scale in a suitable locality would be very valuable. They observe in this connection that public opinion in Bengal has wholeheartedly supported the proposal of the Royal Commission, and that the Government of Bengal agree with that view and accept the suggestion that steps should be taken to cripple the activities of the type of money-lender who depends upon the threat of violence rather than the processes of the law for the recovery of his dues. The Government of India agree with the Bengal Government that legislation aimed at stopping recoveries within the premises of industrial establishments by persons employed in those establishments would be useless. But the Royal Commission do not appear to have intended that the term "besetter" should include any others than the professional money-lenders who take up their stand either inside or outside the factory for the sole purpose of collecting their debts. There would, in their opinion, therefore be no great difficulty in framing a definition to draw this distinction, and they therefore accept the view of the Government of Bengal that legislation should be aimed solely at the professional money-lender.

4. I am accordingly to suggest for the consideration of the Governor-in-Council that the Bengal Legislative Council should be asked to pass a measure on the subject, which could be made applicable in the first instance at least only to specified industrial areas of the Presidency, such as the Calcutta-Hooghly area.